

FINANCIAL TIMES

Europe's Business Newspaper

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Goldman Sachs partners to receive \$5m payout each

Partners of Goldman Sachs, US-based global investment bank, will all receive a minimum profit share of \$5m this year, according to a bank insider. The profit shares - which are added to each partner's capital account at the firm and can only be withdrawn at retirement - reflect the leap in Goldman's profitability this year.

The Canadian Bond Rating Service estimates the bank made \$2.3bn pre-tax profit in the first three quarters of 1993, up from just \$340m the year before. Even the most junior of the bank's 161 partners will receive \$5m, while the more senior will receive far more. Page 15

US to seek bribes ban: The US is to demand at a Paris meeting of the OECD that other industrial countries outlaw bribery of foreign officials, in spite of fears the move could delay the adoption of international standards. Page 15

Credito Italiano share discount: The Italian government is to offer a big discount on the shares of Credito Italiano, the country's seventh-largest bank, at the start of its two-year programme of privatising industrial and financial assets. Page 15

First Hubble spacewalk succeeds

US astronauts successfully completed the first of five spacewalks planned to repair the Hubble telescope. The mission is viewed as critical both to restore public support for the National Aeronautics and Space Administration and to prevent astronauts from the type of work needed to assemble a planned space station. Picture, Page 3

Russia's privatisation hopes: Russia's privatisation supporters are pressing ahead with plans to sell off big companies, in spite of next week's parliamentary elections, and hope to place 60 per cent of Russia's industrial capacity in private hands by July. Page 2

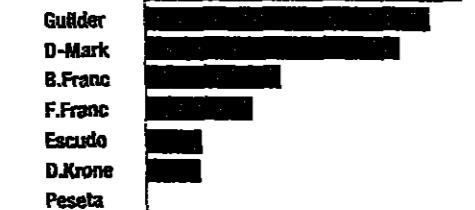
Buthelezi may stand down: Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party and chief rival of the African National Congress, is considering retirement as South Africa's constitution is due to go to parliament for approval. Page 4

EC approves spending plan: The European Commission approved spending nearly Ecu12.5bn (\$135m) on public works over the next six years, including a new plan for "Brussels bonds" to help finance the projects. Commission president Jacques Delors will present the plans to the European summit on Friday. Page 14: Delors unlikely to have last word, Page 2: Be prepared and be armed, Page 12; Editorial Comment, Page 13

Ulster peace deal on course: Britain rejected suggestions that it agreed to compromise on the Irish claim to Northern Ireland as the two governments offered reassurances to Ulster unionists in an attempt to keep peace talks on course. Page 6

European Monetary System: A round of interest rate cuts last week in Europe weakened the D-Mark as traders bought currencies with lower interest rates and better growth prospects. On Thursday the Bundesbank prompted cuts averaging a quarter of a percentage point in Belgium, the Netherlands, Spain and France by easing its repurchase rate by 25 basis points to 6 per cent, but leaving its main discount and Lombard rates unchanged. The French franc was also boosted by progress in world trade talks but closed the week off its highs.

EMS: Grid December 3, 1993



BT anger at European rules: British Telecommunications will use an alliance between the French and German state telecommunications operators, due to be announced tomorrow, to campaign for the dismantling of barriers impeding telecommunications competition in Europe. Page 15

Asian environment protection: The World Bank has challenged the belief in rapidly growing Asian economies that prosperity must be assured before environmental issues can be tackled. Page 5

Channel Tunnel hit: The prototype of the Eurostar, due to ply the 70-mile route between London and the Channel Tunnel at Folkestone, is unable to cope with gaps in the third rail next to the tracks. British Rail said. Page 14

Trams on 42nd Street: New York has started public consultations on a \$75m city regeneration scheme which could see a return to 42nd Street of the trams that disappeared half a century ago. Page 14

European film awards: *Urga*, directed by Russian Nikita Mikhalkov, was named film of the year at the European Film Academy's Felix awards in Berlin. *Orlando*, directed by Britain's Sally Potter, was chosen as the young European film of the year.

Table

US deal paves way for trade pact

French cabinet meets as pressure mounts for Gatt accord

By David Dodwell in Geneva and David Buchan in Paris

A US compromise on the controversial Blair House accord limiting Europe's exports of subsidised farm goods has paved the way for an agreement expected next week with the European Union on trade reform.

The agreement will put pressure on France to accept the accord, finally bringing to a head the political crisis in Paris over the US's farm trade talks.

Mr Edouard Balladur, French prime minister, took this morning to hold a special cabinet meeting to decide France's position on the draft Gatt agreement, which is

expected to be presented to EU ministers later in the day.

The US compromise on Blair House allows for a more gentle phasing in of the timetable for cutting subsidised EU farm exports by 21 per cent over six years. In what is likely to be seen as a significant climbdown, the US has agreed to exempt the existing EU grain mountain of about 35m tonnes.

The US concessions will allow Europe to export an additional 3m tonnes of grain a year.

France, Europe's largest farm

exporter will be the main beneficiary of the switch.

After being briefed in Paris yesterday by Sir Leon Brittan, the chief European negotiator, and by Mr Peter Sutherland, director general of Gatt, Mr Balladur still warned against "the excessive optimism which has reigned in recent days and hours". Progress had been made, but problems remained for France in the agricultural and audio-visual sectors, his spokesman said.

The agreement was endorsed in principle in Brussels last week by Mr Balladur's decision to call

Sir Leon and Mr Mickey Kantor, US Trade Representative. Mr Kantor will return to Brussels today after weekend consultations in Washington with President Bill Clinton. Sir Leon's meeting with Mr Balladur, aimed at clearing the way for a deal to be announced, followed the commissioner's talks on Friday with Germany's Chancellor Helmut Kohl.

The impression that France's political crisis over Gatt is finally coming to a head was reinforced by Mr Balladur's decision to call

before he could give France's approval to any Gatt package.

But Mr Gérard Longuet, France's more pro-Gatt trade minister and industry minister, suggested France was ready for compromise in the key area of agriculture.

European negotiators expect to pay a price elsewhere in the Uruguay round for winning concessions on Blair House. They are expected to reveal this week that tariffs protecting wood and paper products will be cut to zero, while tariffs protecting semiconductors and non-ferrous metals will be pared back.

Paris hints at farm deal. Page 3

PLO rift delays progress at Cairo talks

By Julian Ozanne in Jerusalem

Israel and the Palestine Liberation Organisation resumed talks in Cairo yesterday amid a growing PLO leadership rift and recognition that the start of Israel's military withdrawal from Gaza and Jericho will be delayed.

The crisis in the PLO's upper ranks deepened after Mr Mahmoud Abbas (also known as Abu Mazen), the man who signed the Israeli-Palestinian peace accord in Washington, refused to participate in a newly-formed PLO committee set up to defuse criticism of Mr Yasser Arafat's handling of the peace talks.

With only seven days left before Israel and the PLO were supposed, under the terms of the peace accord, to sign a protocol marking the start of a four-month troop withdrawal, the two sides remain deeply divided on a complex set of issues.

The talks, being held at a secret location in Cairo, have yet to agree the size of the Jericho area, who should control the border crossings between Jericho and Jordan and between Gaza and Egypt, the extent of the troop withdrawal, security arrangements for Israeli settlers, and the timetable for releases of up to 10,000 Palestinian prisoners being held by Israel.

The PLO has until now insisted on keeping the December 13 deadline, being under pressure to deliver results to increasingly sceptical Palestinians. But there were signs yesterday that it was prepared to accept a two-week delay.

Mr Nabil Shaath, the chief PLO negotiator, said the organisation was sparing no effort to finish on time despite recent comments by Mr Yitzhak Rabin, Israeli prime minister, suggesting the need for a delay. But Mr Shaath accepted that Israeli reservations about the progress in the talks might force a delay.

In Amman PLO officials said Mr Arafat, PLO Chairman, had told the central committee of his Fatah faction that he was reluctantly prepared for a two-week delay in the face of Israeli intransigence on key issues.

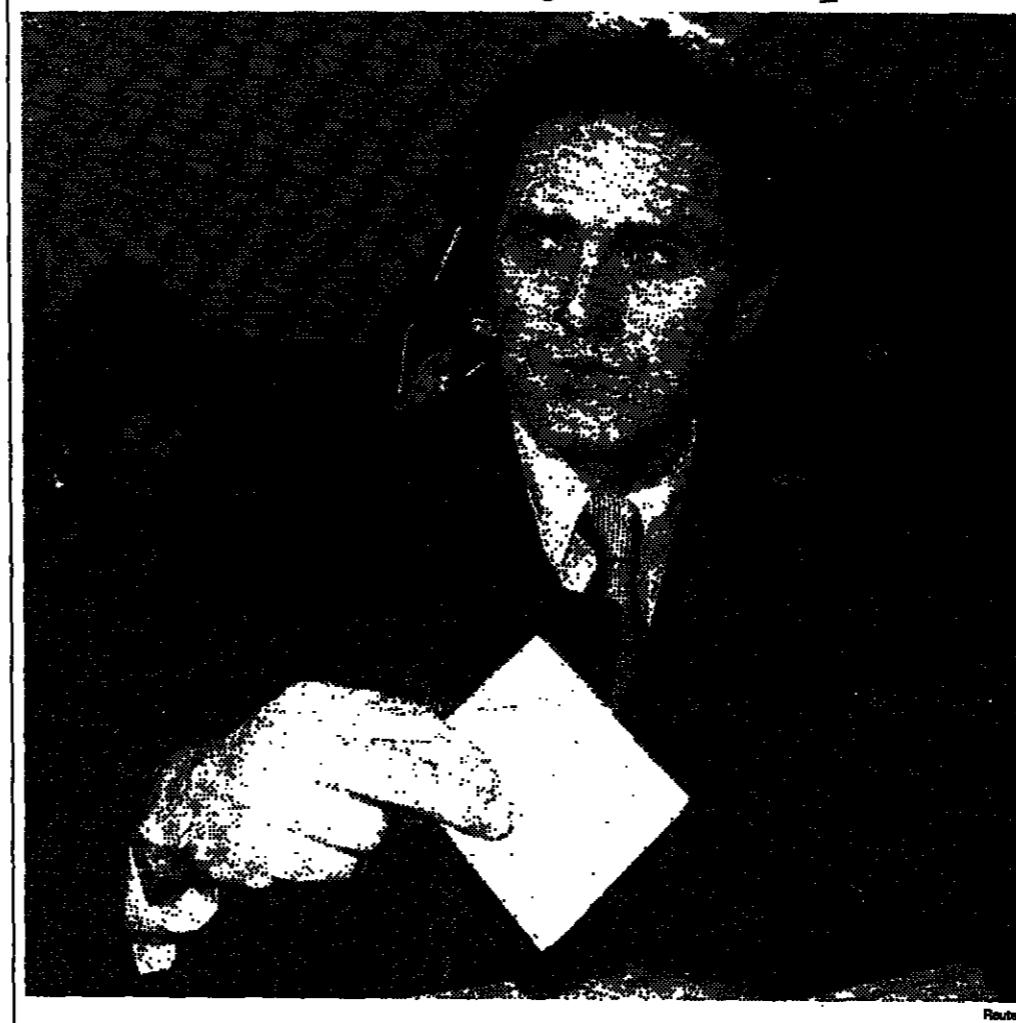
The delay will further deepen the PLO leadership crisis. Criticism of Mr Arafat's handling of the peace negotiations has solidified around three senior PLO officials - Mr Abbas, Mr Yassir Arafat, and Mr Suliman Nabulsi.

All three are members of the 12-strong PLO executive committee and have been among the most important voices for peace and moderation within the PLO.

On Tuesday night senior managers gathered at Mr Gyll's home. After discussions the managers from Volvo's car and truck divisions agreed the merger should not proceed.

In a move to quell the criticism, Mr Arafat had asked Mr Abbas to head a PLO committee to direct detailed peace talks with Israel. But Mr Abbas refused the appointment and said he would have nothing to do with the committee.

Italians vote in city council polls



Francesco Rutelli, the left-wing candidate in the election for the mayor of Rome, casts his vote. Mr Rutelli, a Green party politician, is battling against Gianfranco Fini, the leader of the neo-fascist MSI, in a second round of voting.

An estimated 8.3m Italians were able to vote in yesterday's elections to choose 129 city councils. But all eyes were on Naples and Rome were the MSI emerged as the single biggest party in first round voting.

Blow to Kohl from vote in Brandenburg

By Judy Dempsey in Berlin

East Germany's former communist party was last night poised to deal a heavy blow to Chancellor Helmut Kohl's Christian Democrats in elections in Brandenburg, the first local-government polls in the east since unification.

However, the CDU and the Free Democrats, the junior partner in the federal government, did not fare as badly as early opinion polls had predicted for the state, which surrounds Berlin and flanks Poland.

The vote is the first in a marathon round of municipal and state elections which culminate in federal elections next October.

Although local politics played a great part in yesterday's elections, the vote will provide a barometer for Chancellor Kohl's future support. His CDU-led coalition has been trailing in the opinion polls after several scandals and amid speculation that it might soon fall apart.

In Bonn, senior officials shrugged off any suggestion that the coalition was strained to breaking point.

"We want this coalition, and we want it to keep its majority in the parliamentary election" in October 1994, Mr Wolfgang Schäuble, head of the CDU/CSU parliamentary faction, said in an

interview with *Welt am Sonntag* newspaper.

"Anyone who believes the coalition between the CDU and the FDP is finished is completely fooling themselves," he added.

An exit poll conducted for Brandenburg radio by Infas, an opinion poll company, last night gave the CDU 20.2 per cent, nearly 10 points down from the previous state elections in October 1990, and a decline of 16 points compared with the Brandenburg vote in the federal elections that December. FDP support was put at 6 per cent, the same as the federal elections but 3 points less than the state elections.

Opinion polls last week had suggested that Mr Kohl's governing coalition would, combined, obtain only 12 per cent.

Support for the PDS rose to 22.1 per cent, nearly 7 points more than the state elections and 9 points more than the federal elections. However, its support is unlikely to be carried throughout the eastern states next year.

The final count, expected early today, while representing a warning to Bonn, may indicate that Mr Kohl's government might be able to weather the storm after last week's financial scandal among the conservative-led

Continued on Page 14

Gyll explains events behind 'palace coup'

Volvo chief admits fear he may have been shooting himself in the head

By Hugh Carnegy in Gothenburg

Mr Sören Gyll, the chief executive of Volvo, was attracted to the company by Mr Pehr Gyllenhammar, the chairman for 20 years. Yesterday Mr Gyll retraced the steps he took last week to lead a management revolt that doomed Volvo's ambitions plan to merge with Renault's.

In an interview with the Financial Times said: "This is the worst decision I have ever been involved in. It is a serious one, of course, but I was prepared to take the responsibility."

The days leading up to Thursday's significant Volvo board meeting were fraught. Mr Gyll decided a week ago the shareholder process meant the controversial merger with Renault was unlikely to succeed.

On Tuesday night senior managers gathered at Mr Gyll's home. After discussions the managers from Volvo's car and truck divisions agreed the merger should not proceed.

In a move to quell the criticism, Mr Arafat had asked Mr Abbas to head a PLO committee to direct detailed peace talks with Israel. But Mr Abbas refused the appointment and said he would have nothing to do with the committee.

told him that the senior management opposed the deal, which he believed was unlikely to be approved by shareholders.

The following morning Mr Gyll warned his wife: "This could be my last board meeting."

"I didn't know when I went into the board meeting what the outcome would be. They could have fired me. I could have been shooting myself in the head."

Mr Gyll reiterated his desire to continue a three-year old alliance with Renault, saying joint projects could still be constructed on a 50-50 basis.

Gyll met him in private. He

Gyll interview, Page 17

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JPY/USD

Delors unlikely to have the last word on EU jobs

Lionel Barber on influences shaping the Commission president's prescriptions for a post-industrial Europe

EU*
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When Mr Jacques Delors presents his White Paper on employment, growth and competitiveness to this week's EU summit in Brussels, many will view the occasion as the last hurrah for the president of the European Commission.

The 12 heads of government are ready to put their faith in Mr Delors as a testimony to his reputation as the man with the long-term vision; but it also reflects a certain desperation in the face of mass unemployment.

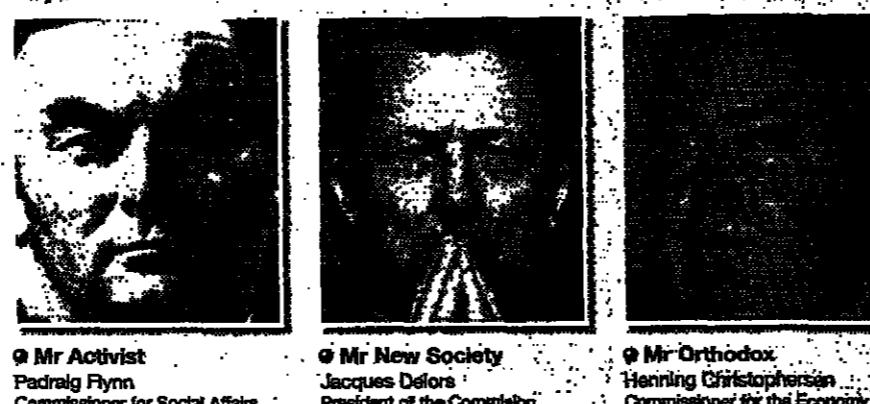
Next year, the number of people out of work in the European Union is forecast to rise to more than 18m, the equivalent of the combined populations of Belgium, Denmark and Ireland. No one expects Mr Delors to produce a miracle

cure; but some wonder whether his White Paper will produce the prescriptions to tackle Europe's low growth, rising unemployment and failure to create jobs.

The answer goes to the heart of what might be called the debate over the future economic philosophy of the European Union. This debate pits the Anglo-Saxon model of labour market deregulation, wage restraint, and curbs on trade union power, against the more consensual model of social partnership which has underpinned the post-second world war economic order on the continent in Europe, but which is now under strain.

Early drafts of the White Paper have sent ambiguous signals about how far Mr Delors is prepared to compromise on the social policies he has championed, which were embodied in the Maastricht treaty. Broadly speaking, it is possible, however to pick out a

EU The three-cornered employment debate



Mr Activist
Padraig Flynn
Commissioner for Social Affairs

Mr Neo-Society
Jacques Delors
President of the Commission

Mr Orthodox
Henning Christensen
Commissioner for the Economy

few trends, starting within the Commission which endorsed the final version in a special session yesterday.

The first school of thought is grouped inside Directorate General Two, headed by Mr

Henning Christensen, the Danish commissioner responsible for economics. A former finance minister, Mr Christensen is Mr Orthodoxy. He stands for price stability, strict control on public finances; and

an average increase in real wages of one percentage point a year less than the rise in productivity. This is about as near as DG-3 felt it could go in supporting the notion of pricing people into work.

The second, activist, school is located inside Directorate General Five, headed by Mr Padraig Flynn, the Irish commissioner responsible for social affairs and employment. Though Mr Flynn arrived in Brussels a year ago with something of a conservative reputation, he has quickly absorbed DG-5's social democratic agenda. This stresses the preservation of labour market regulation and minimum wages, as well as the recent endorsement of work-sharing as a source of new jobs, possibly supported by fiscal incentives.

Mr Delors' own views are an intriguing cocktail. In one breath, he will speak of 40m people in poverty in Europe and rail against the "politics of exclusion". Minutes later, he will remind visitors that, as a former French finance minister, he remains more popular among Christian Democrats than among members of his own Socialist party.

Mr Delors retains an almost blind faith in new technology as a means of restoring Europe's competitiveness. The White Book will therefore contain images of a New Europe linked together through US-style "information highways", massive investment in roads, rail and telecommunications, and a shift of funds away from consumption into research and development.

Mr Delors' message is that a new post-industrial age has arrived in Europe. Thus, in 15 years, the number of non-manual people will be high relative to the number in work;

much more flexible working patterns will be commonplace;

the right to permanent retraining should be universal. But he remains an optimist. As he told members of the European parliament last week, the essential element in tackling the competitiveness crisis is not the cost of labour but the capacity to master technical change.

Senior Commission officials agree, but some fret that Mr Delors risks blurring the question of labour market flexibility as the prerequisite for job creation. This is not just a result of his own political leanings, but arises also from the political constraints in the member states such as Belgium, France, Germany, Italy and Spain, all of which face serious trade union unrest this winter. "The single biggest weakness in the White Book will be the lack of a coherent message," predicts one official.

In fairness, Mr Delors will reply that the political weakness of the Commission means it has no option but to offer a menu of prescriptions. It has no intention of putting forward Brussels-led legislation; member states must pick what is best suited to national needs.

As such the White Paper is a work of transition; it is the first rather than the last word in the debate.

Dehaene urges EU stance on problems

By Andrew Hill in Brussels

A strong, common European approach is the only way to tackle the EU's problems of unemployment, lack of industrial competitiveness and sluggish growth, the Belgian prime minister said yesterday.

Mr Jean-Luc Dehaene, who will chair Friday's summit of EU leaders in Brussels, warned member states against calling into question the value of such an approach at the time when it was most needed.

"We have built up Europe, we have agreed the Maastricht treaty, and we are part of a European Union; that's what we now have to use to face up to these common problems," he said on Belgian television.

Belgium, which holds the EU presidency, is likely to press for a co-ordinated approach to the economic crisis, citing as an example its own strict austerity plan.

"When there's a crisis, there's always a temptation to resolve the crisis by a form of protectionism... There's always a sort of 'me first' reflex. That's the wrong approach: when we're all in the same situation we will only get out of it together," said Mr Dehaene yesterday.

Be prepared, Page 12

Fall in German manufacturing 'bottoms out'

By Quentin Peel in Bonn

The slump in production of Germany's manufacturing industry has bottomed out and most sectors can expect some recovery in the coming year, according to the Ifo economic research institute, based at Munich.

Export orders, especially from China and south-east Asia, but also from the US and eastern Europe, have already helped to stabilise output levels in the hard-hat engineering, iron and steel industries, according to Ifo's latest monthly report.

Hopes for a hesitant recovery cannot disguise the sharpness of the downturn, which has sent manufacturing production down 2 per cent in 1992 - overall, a drop of about one-tenth in the peak of mid-1991.

Engineering production has fallen by 10 per cent in the past year alone and investment goods manufacturers have seen a loss of 15 per cent.

The slump in the motor vehicle industry has been the most notable: passenger car and light commercial vehicles have dropped 22 per cent, while heavier truck production was down 36 per cent just

between January and September.

However, Ifo researchers are relatively optimistic about the coming year, thanks to an improvement in industrial orders, especially for export, and to an end to the deeply pessimistic mood which has coloured all its surveys of business opinion for the past two years.

"The pessimistic tone, which has dominated business expectations for a long time, has almost vanished," the report noted.

The Ifo report does not expect a big improvement in output in 1994 overall, but a stabilisation which implies a significant increase in manufacture in the course of the year.

The institute expects a 2 per cent production increase in the chemical sector during 1994, after a reduction of 2 to 3 per cent this year, and a similar improvement for raw materials and production goods manufacturers.

Ifo expects a 4 per cent recovery for the motor industry but overall zero growth for engineering, and for electrical engineering, although manufacturing industry as a whole is forecast to rise 1 per cent next year.

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Russians confident of rapid privatisation

By Leyla Boulton in Moscow

Proponents of privatisation have dismissed the possibility of interference from Russia's parliament, which is due to be elected next week, and are pressing ahead with plans to sell off major companies. The intention is to place 80 per cent of Russia's industrial capacity in private hands by next July.

Mr Dmitry Vasiliev, deputy privatisation minister, has said that large enterprises being prepared for partial flotation include Gazprom, the state gas-producing monopoly.

Although the state would retain control of the enterprise, 20 per cent of shares would be offered to the public through vouchers.

Mr Vasiliev was confident that the State Property Committee, responsible for the world's biggest and fastest privatisation campaign, would reach its 80 per cent target by July 1, the deadline for the use of privatisation vouchers.

After that, state property would be sold for money only.

"The next three months will be crucial," he said in a recent interview.

"Parliament won't be up to speed on privatisation in the first few months of its existence. We have to use this time to sell as much as we can and work as hard as we can."

One area the property committee would enter for the first time is banking, with plans to sell the state's remaining stakes in large banks, such as

Promstroibank, which used to finance the whole of Soviet industry, and Rosselkhozbank, which still finances much of Russian agriculture.

It also planned to give commercial banks the opportunity to buy premises they have leased from the central bank.

Parties competing in the election next Sunday have attacked privatisation as insensitive to the needs of individual sectors and companies.

In the next few months, the property committee expects progress in two crucial areas: building a secondary market for share-trading, and helping managers of privatised enterprises behave in a more market-oriented way.

A newly-created Securities and Exchange Commission, on which Mr Vasiliev sits, is working on a system for independent share registries, which would make it possible, say, for a worker in Vladivostok to sell shares to an entrepreneur in Moscow.

At present, the only way to validate a share transaction is to go directly to the privatised company for a change in its register, which it may refuse if it does not like the new owner.

A year from now, said Mr Vasiliev, Russia would be ready for secondary trading on stock exchanges.

To help privatised companies, the state would provide business instruction for factory directors.

Mr Vasiliev said this would include organising "schools" on a sectoral basis. Business experts would be invited, for instance, to a major chemical plant to work directly with its managers, while directors of other chemical plants attend.

Directors would then have to devise business plans of their own, and the best investment strategies would qualify for financial support, including funds from a \$3bn package promised by the Group of Seven industrial nations.

Although Mr Vasiliev said

that foreign investment had been sluggish, increasing numbers of foreign buyers had emerged after share purchases by workers and staff. "Privatisation has provided concrete owners with whom investors can negotiate," he said.

Mr Vasiliev added that 10 per cent of shares, or about \$300m-\$350m worth, which had been made available since January 1993 when the privatisation of large-scale enterprises was launched, had since been acquired by foreigners. "This is

less than, say, Hungary," he said, acknowledging the difficulties of Russia's business environment.

But he said promises of further investment were greater, amounting to \$20m in the St Petersburg region alone.



"Russia's future depends on your choice" says this election poster in the Moscow show

Picture: AP

Bosnia's warring parties face second hard winter

By Laura Silber in Belgrade

Bosnia's three warring parties are poised to fight a second winter of war with all sides firm in the belief that time is on their side, despite evidence to the contrary.

Muslim leaders are hoping that United Nations sanctions, imposed on Belgrade 19 months ago, will bite even harder in the coming months, forcing the Bosnian side to make concessions.

In contrast Serb leaders hold fast that when Greece takes over the division of Bosnia into three ethnically based republics Serb, Croat and Muslim leaders gained no ground towards ending the 20-month

the mostly Muslim state.

For their part, Croats plan to recover some of the territory in central Bosnia seized by their Muslim rivals over the past months.

With no tangible signs of a settlement, the international community can only hope that economic deprivation will curb the territorial ambitions of Serb and Croat nationalists and force them to show flexibility.

They are loath to cede any land in eastern Bosnia, because this would be tantamount to giving up Greater Serbia. The "state", carved out over the past three years by Serb forces in Bosnia and Croatia, would be cut in two.

The Bosnian government, on the other hand, is hard-pressed to abandon claims on eastern Bosnia, which was mostly Muslim before the war.

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NEWS: INTERNATIONAL

Concessions by US sweeten Gatt pill

By David Dodwell, World Trade Editor, in Geneva



Mr Mickey Kantor, the US trade representative, last night boarded a military aircraft at Andrews airbase and headed for his second meeting within five days with Sir Leon Brittan, Europe's trade commissioner. As he did so, details began to emerge of the US-European Union trade liberalising deal which both hope will open the way for completion of the seven-year Uruguay Round of talks on global trade reform.

At the heart of a package likely to be unveiled in Brussels today will be ambitious tariff-cutting measures, which also address European demands to amend the Blair House accord limiting EU exports of subsidised farm goods. As Europe's main farm exporter, France opposed this deal even before the ink was dry when it was signed in Washington in November last year. In what is likely to be seen as a significant climb-down, the US has agreed to:

- Exempt Europe's existing 25-tonne cereals stockpile from the Blair House accord, which demands a 21 per cent cut in subsidised cereals exports over a six-year period.

- Switch the base year from which subsidised exports must be reduced in from the 1988-89 average, to 1992. Since subsidised EU cereal exports rose from 17m tonnes during the initial base period, to over 20m tonnes in 1992, the switch greatly reduces the impact of the Blair House accord, and, over the six-year life of the agreement, allows Europe (principally France) to export an additional 8m tonnes of cereals.

- Extend from six to eight years the "peace clause" under which the US would not challenge Europe's export subsidy regime.

The price paid by the EU for these US concessions includes improved market access for US pork, grains, dairy products, and "specialty crops" - which include nuts, vegetables, processed turkey and almonds.

But since these are not expected to yield significant new opportunities to US exporters, EU negotiators have been forced to give ground by trimming tariffs on a number of manufactured goods. Signif-

cantly, steel tariffs will be cut to zero even though a Multilateral Steel Agreement is in place; tariffs on wood, pulp and paper will also be cut to zero; semiconductor equipment is likely to have tariff protection stripped to zero, while semi-conductors themselves will retain protection averaging 3 per cent. Tariff protection for non-ferrous metals - principally aluminium - will be trimmed mainly among semi-finished goods, but not to zero.

A further concession from the US has apparently been made in shipping, where negotiators have for the first time said they are willing to include ocean shipping. Until just days ago, most negotiators expected the Uruguay Round maritime agreement to be limited to ports and port services.

When Mr Kantor arrives in Brussels this morning, he will be joined by US negotiators who have spent the past three days in Geneva wrangling with disagreements. These include Europe's demands for "cultural protection" for its film and television industries, US pressure to weaken rules on anti-dumping actions, and US calls for special treatment of financial services and taxation. None of these issues was resolved last night.

Paris hints at farm deal

By David Buchan in Paris

France may accept the provision in the controversial Blair House accord for a 21 per cent cut in farm exports over a six-year period, provided the impact of these cuts is reduced and Paris gets guarantees from Brussels.

The possibility of such a compromise was suggested by Mr Gérard Longuet, France's trade minister, in a newspaper interview yesterday. It came as pressure mounted on France to sign up to a Gatt accord, with both Sir Leon Brittan, the chief European trade negotiator, and Mr Peter Sutherland, director general of Gatt, coming to Paris to brief Mr Edouard Balladur, prime minister, on

the state of negotiations.

Mr Longuet, who is one of the more pro-Gatt ministers in the French government, told the *Journal du Dimanche*: "The Americans are now proposing technical measures so as not to hit these subsidised European exports with the brutality that was initially envisaged."

France had been seeking to subtract existing food stocks and future food aid from the volume of subsidised exports to which this 21 per cent cut would apply, as well as postponing most of the reduction to the end of the decade.

"It is easier to make progress calculating in terms of millions of tonnes of cereals exported,

or on the contrary lost, between 1993 and 2001 than to get hung up on a percentage [21 per cent] already accepted - alas - by the Brussels Commission."

"The final objective", he said, "is that by the end of the agreement Europe should guarantee to France that there will not be one extra hectare of land taken out of production" beyond the set-aside provisions of the European Union's current reform of its Common Agricultural Policy (CAP).

The Brussels Commission has claimed that the Blair House accord as originally agreed would not require the EU to cut production any more than it is already doing under CAP reform.

Many countries wary of extending laws beyond their own frontiers

US seeks OECD foreign bribes ban

By George Graham in Washington

The US will this week demand that other industrial countries follow its example by outlawing bribery of foreign officials.

At a meeting in Paris of the Organisation for Economic Co-operation and Development, US officials plan to propose a set of binding recommendations to take much tougher measures against bribery. But other member countries fear that by rejecting the less stringent recommendations that the OECD's own task force has been working on for four years, the US may delay the adoption of

international standards.

While almost all countries outlaw bribery to their own officials, the US with its Foreign Corrupt Practices Act is the only country which criminalises bribery of another country's officials. Most other countries are more wary than the US about extending their laws outside their own territory.

US State Department officials complain that, apart from the negative effects of bribery in the developing world, US companies bidding for contracts around the world are set at a competitive disadvantage to companies permitted to bribe.

Their proposals would require OECD

countries to make bribery of a foreign official a criminal offence, and ensure that companies were not allowed to deduct the bribery costs from their taxable income.

Mr Dan Tarullo, assistant secretary of state for economic and business affairs, told other OECD members at a recent meeting in Paris that the US was disappointed with the "law approach" by the organisation's working group on illicit

payments.

"The most recent meeting of the group suggests that some members prefer to minimise the problem and to dilute efforts to address it," he said. A senior US official said the OECD

working group's recommendations amounted to a shopping list from which countries could pick one or two measures, and needed to be made more binding.

Officials from other OECD countries, however, say the US is seeking to raise the stakes from the level it accepted some months ago. They fear this may make it impossible to finish work on their proposals at their meeting on Thursday and Friday.

Some officials speculated that the US initiative might even prevent the completion of bribery rules in time for ministers to ratify them at next June's OECD meeting.

Hopes dashed of subsidy curbs on shipbuilding

By Nancy Dunne in Washington

US hopes of negotiating multilateral limitations on shipbuilding subsidies were dashed last week when negotiations in the Organisation for Economic Co-operation and Development were adjourned until next year.

Mr John Stocker, president of the Shipbuilders Council of America and one of the prime movers behind the effort to reform shipbuilding subsidy, dismissed as "a ploy on the part of our trading partners" the alleged reason for delay - that the negotiators wanted to concentrate on completing the Uruguay Round.

"They have succeeded in dragging their feet for 4½ years, so why would they change their behaviour now?" Mr Stocker said. He accused the negotiators from Japan, South Korea, Finland, Norway, Sweden and the European Union of wanting only "to continue their market-distorting shipbuilding and repair subsidy practices".

The US wants to restrict direct and indirect subsidies to shipbuilders in the form of loans, grants, debt forgiveness, tax benefits and research funding above defined limits. The

negotiators were reportedly unable to agree on a permissible level for shipbuilding export financing or dumping of ships in foreign markets.

The Clinton administration has set December 31, 1993, as a deadline for agreement. The OECD talks were in response to an unfair trade petition filed by US shipbuilders in 1988. Deadlines were set and ignored by the Bush administration in 1990 and 1991.

Meanwhile, the Clinton administration has announced support for a 10-year \$1.2bn (\$800m) shipbuilding subsidies programme to help the US maritime industry survive the end of Cold War production cuts. The bill provides \$2.1m a year per US ship in operating subsidies; construction differential subsidies will cover the difference in costs between a US ship and a comparable foreign-built one.

Congress may force the administration to act against foreign subsidies early next year, according to Mr Stocker. Both congressional houses may begin to move legislation, introduced last year, which would levy fines on ships entering US harbours if they are registered in, owned or controlled by countries which subsidise shipbuilding.

Query over missile treaty

By George Graham

The US is asking Russia to agree to a new interpretation of the Anti-Ballistic Missile Treaty to allow it to test and deploy a theatre missile defensive system without contravening the ban on defences against strategic missiles.

US officials insisted that they were seeking to "remove a long-standing ambiguity" not to change the treaty or to adopt the broad interpretations of the Reagan and Bush adminis-

trations, which claimed that the ABM treaty allowed the deployment of space-based missile defences.

"Our intention is to make clear the distinction between theatre missile defence not limited by the treaty and strategic defences that are limited," the State Department said.

While defences such as the Patriot system, used against Scud missiles during the Gulf war, are allowed by the treaty, defences that could intercept faster medium-range mis-

siles could fall under the prohibition on national defences.

The 1972 ABM treaty was intended to curb the arms race between the US and the Soviet Union. Many arms control specialists remain firmly opposed to any tinkering with the treaty.

If the clarifications sought by the Clinton administration were to count as changes to the treaty, it might prove difficult to persuade the Senate to ratify the revised treaty.

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DG BANK



by Annie Leibovitz

JOY TO THE WORLD

NEWS: INTERNATIONAL

Violence grows between Israelis and Palestinians opposed to peace

Crackdown threatened for Jewish settlers

By Julian Ozanne in Jerusalem

Israel's cabinet yesterday vowed to crack down on violence by Jewish settlers opposed to Israeli-Palestinian peace after the most violent week since the accord was signed in September.

An increasing cycle of tit-for-tat violence by Israeli and Palestinian extremists, united in their desire to sabotage the peace process, has overshadowed the visit by Mr Warren Christopher, US secretary of state, who yesterday vowed to "energise" stalled peace talks between Syria and Israel.

Over the weekend, Israeli settlers living around occupied Hebron shot into crowds of Palestinians, some of whom were throwing rocks. In another incident, a settler fired at an Arab taxi. At least six Palestinians were wounded in the weekend violence in Hebron and one died yesterday in hospital.

In an apparent revenge attack, a Palestinian guerrilla belonging to the extremist Islamic Jihad group yesterday attacked a bus near Tel Aviv. One Israeli wounded in the battle later died in hospital and the guerrilla was shot dead by Israeli soldiers. Crowds of Israeli's gathered around the Palestinian's body shouting "Death to Arabs".

Since the Israel-Palestinian peace accord was signed in September at least 33 Palestinians and 15 Israelis have been killed.

Cabinet ministers, many of whom have criticised the government for not

taking firmer measures, attacked the wave of violence by settlers, accusing them of terrorism, murder and other illegal acts to disrupt the peace process.

Mr Moshe Shahal, police minister, and Gen Ehud Barak, army chief of staff, promised tougher measures to curb settler violence and the use of force against law-breakers.

Other ministers threatened to review the right of settlers to carry weapons. At least five settlers involved in the weekend incidents in Hebron were arrested and police officials said they were looking for others.

Mr Christopher, who flew to Damascus yesterday for talks with President Hafez al-Assad of Syria, called for an end to the violence but made it clear that he was concentrating his Middle East shuttle diplomacy on trying to achieve a breakthrough in stalled talks between Israel and Syria over the Golan Heights, occupied by Israel since 1967.

Mr Christopher, who hopes to carry messages between Damascus and Jerusalem, was expected to offer Mr Assad an improvement in ties with the US in return for concessions to Israel and a written Syrian clarification of the nature of peace with Israel it envisions.

He flies to Amman today to meet King Hussein of Jordan and Mr Yassir Arafat, Palestine Liberation Organisation leader. Tomorrow he will hold a second round of meetings with Israeli leaders before considering a possible second trip to Damascus.



Israeli border police confront Palestinian stone-throwers from a hill near a refugee camp mosque. Reuters

Tokyo package delayed

Japanese government plans to launch an economic stimulus package, announced for early this week, have hit delays due to the coalition's hectic schedule. William Dawkins reports from Tokyo.

Mr Hiroshi Kuromagai, minister for international trade and industry, said on Japanese television yesterday that the government was discussing no such plans and that it must now give top priority to the supplementary budget required to finance the part of the Y1.650bn (£38.7bn) pump-priming package launched in September.

Another economic package could be included in next year's budget, due to be drafted soon, he said.

Malawi violence kills 32

Malawi's government was yesterday trying to salvage credibility after a week of violence which left a total of 32 people dead and more than 100 injured, Nick Young writes from Lilongwe.

Mr Hetherwick Ntala, foreign minister, insisted that the government was in control, and that the army had pledged support for President Hastings Banda and the three-man presidential council which has held executive power since Dr Banda was drafted ill in October.

Statements from the Presidential Council claim the government endorsed army assaults on bases of the Malawi Young Pioneers, the 2,000-strong armed wing of

the ruling Malawi Congress party.

During the operation, the party's Lilongwe headquarters were ransacked by regular soldiers, the Lilongwe Youth Ministry was stormed and destroyed, and one of Dr Banda's state residences, in the northern town of Mzuzu, was reported to have been burned down.

State radio yesterday said Major General Isaac Yohane, the army commander, claimed still to control the forces, although during the action regular soldiers had told the Financial Times that they were taking orders from Major John Msondi, and that Maj Gen Yohane was under house arrest.

IMF team in Ivory Coast

Mr Alassane Ouattara, Ivory Coast prime minister and presidential hopeful, faces the unenviable task of winning International Monetary Fund support for a tough programme of reform during a period of political turmoil in which his own premiership is in jeopardy, Leslie Crawford writes from Abidjan.

A few weeks ago, France said it would no longer accept Abidjan's \$550m-a-year debt service bill to the World Bank, or cover the recurrent budget deficits. Paris also directed other former African colonies to the IMF for continued financial help.

An IMF team arrived in Abidjan over the weekend to review the country's dis-

mal economic performance and discuss remedial assistance. A previous IMF programme was abandoned last year because of non-compliance with economic targets.

President Félix Houphouët-Boigny's declining health has led to paralysis in economic decision-making, as leaders of the Democratic party jostle for power.

Private sector contractors complain that the government is not honouring debts. The government is experiencing increasing difficulties in meeting its monthly \$56m (£57m) wage bill. Doctors, teachers and electricians have been on strike over delays in the payment of salaries. See Press Review, below

Judge rules out Singapore secrets charge

By Kieran Cooke
in Kuala Lumpur

The judge in the Singapore trial of five people accused of breaking the island republic's Official Secrets Act (OSA) by prematurely disclosing an official economic growth estimate has ruled that the prosecution has failed to make a case against one of the accused, but invited the attorney general to bring an amended charge.

Mr Tharman Shanmugarat-

nam, director of the economics department at the Monetary Authority of Singapore (MAS), Singapore's de facto central bank, had been accused of communicating an official 1992 second-quarter economic growth estimate of 4.6 per cent to two economists, who are alleged to have then shared it with a journalist, whose editor published it.

All have pleaded not guilty to the charges, which carry penalties of a maximum of two

years in jail or a \$32,000 (£840) fine or both. After a trial which has so far lasted for 24 days, the judge said the prosecution, led by Singapore's attorney general, had not substantiated its case against Mr Shanmugaratnam on the charge of communicating the growth figure. But the judge then invited the attorney general to bring an amended charge of negligence against the economist.

In a case which has both

intrigued and concerned Singapore's financial community, the prosecution's case has centred on what did, or did not, happen at a meeting in Mr Shanmugaratnam's office at the MAS in June last year.

The prosecution has alleged that Mr Shanmugaratnam communicated the estimate to one of the economists, Mr Manu Bhaskaran at the meeting. Mr Bhaskaran has said he caught sight of the estimate among Mr Shanmugaratnam's papers.

The prosecution claims that, even if Mr Shanmugaratnam did not communicate the estimate, his actions amounted to recklessness, chargeable under the OSA.

Today the court is due to hear from prosecution and defence on how they wish to proceed in view of the new charge against Mr Shanmugaratnam, after which the judge is expected to decide if the four other accused have cases to answer.

INTERNATIONAL PRESS REVIEW



Houphouët-Boigny: end of era

to replace the ailing leader until elections in 1995. Racist overtones have blamed the 4m immigrants (one-third of the population) who live in the Ivory Coast.

In the wake of anti-immigrant riots last month, a headline in *Le Soir* (The Ram) screamed: "A foreigner to be head of state? NEVER". The article attacked the prime minister, who is half-Burkinabe and was educated in Burkina Faso and the US. It called on "patriots of pure blood to denounce Ouattara's attempted constitutional coup". Newspapers supporting the prime minister attack the *Soir* camp as "fascists". Given that both men belong to the ruling party, their dual marks an ignominious end to a regime whose mottoes were "dialogue and brotherhood".

COLOMBIA

Drug chief Pablo Escobar had been a "bad news" front-page personality since the murder of justice minister Rodrigo Lara in 1984. Colombia's papers competed to celebrate his death with striking headlines and editorials such as "The end of a nightmare" and "At last he fell".

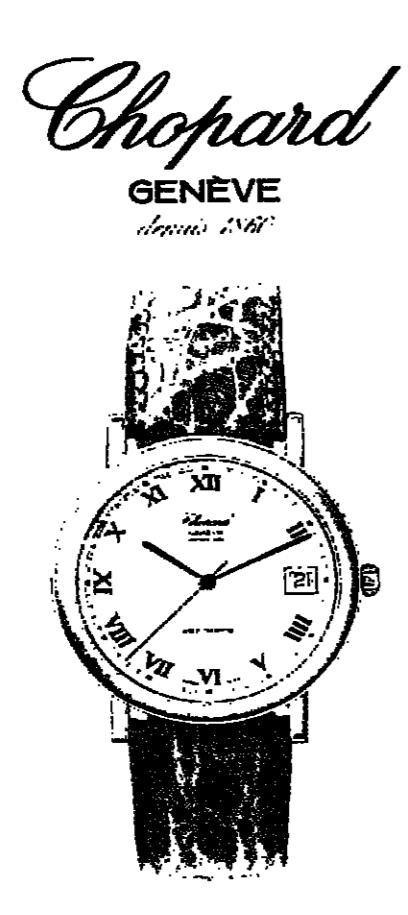
The headline "Relief throughout the country" also reflected a sense of relief among the press: Escobar was charged with the murder of the editor of *El Espectador*, one of the main national dailies, and the paper's offices were bombed. Escobar also organised the kidnapping of several journalists, one of whom was killed.

The special task force which pursued Escobar around Medellin for more than a year – and was criticised for not catching up with him sooner – received generous coverage, as well as medals.

Sensitive to foreign opinion, the Bogotá papers devoted considerable space to monitoring how the world's press registered Escobar's death. Congratulations from the US were prominently displayed.

The good news theme was continued by economic writers, who highlighted the rise in share prices, and predicted that the removal of Escobar would make Colombia more attractive to foreign investors.

Contributions from Alice Rawsthorn in Paris, Tom Burns in Madrid, Leslie Crawford in Abidjan, Angus Foster in Porto Alegre and Sarita Kendall in Bogotá.



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FRANCE

The cartoon on the front page of *Saturday's Le Monde* said it all. It showed a bride and groom brawling outside a town hall. Her dress was emblazoned with "Volvo" and his suit with "Renault". In the background, two gleeful Japanese businessmen crack open a magnum of champagne.

Le Monde had no doubt whom to blame for last week's debacle when Volvo's shareholders voted its long-planned merger with Renault, the French state-controlled car company. The Swedes themselves were the butt of its fury. "The people of Sweden would do well to reflect on the consequences of the failure of the merger for the future of their country in Europe," it thundered.

Liberation, the liberal-left daily, blamed one Swede in particular – Mr Pehr Gyllenhammar, who last week resigned last week as chairman of Volvo when the merger collapsed.

"PG" is loathed by the Swedish business community, and the main reproach against him is his love of France. It said.

However, the paper also blamed the French authorities for their "tacit of fact" during the negotiations: "To the Swedes, France is the most nationalistic and protectionist European country, as illustrated by its stance on Gatt," said Liberation.

Eve France-Soir, the racy evening paper, agreed. It suggested that Volvo's shareholders, alarmed by the recent fiasco of the Air France dispute, had been frightened by the prospect of their company falling into the clutches of the French government.

As for the future... *Le Soir*, the financial daily, mooted Fiat of Italy as a possible partner for Renault, while *Le Tribune* Desfosses sketched a darker scenario for Volvo by warning that "its new partner will probably be a predator, to whom the Swedes

IVORY COAST

The Ivory Coast press has had a new lease of life with the declining health of its octogenarian president, Mr Félix Houphouët-Boigny. Many dailies and weeklies (21 in all) have surfaced since the president returned from a Swiss cancer clinic in November, and are being financed by rivals for the presidential succession. Newspapers are crammed with political machinations

BRASIL

The homecoming of Brazil's most wanted fugitive, Mr Paulo César Faria, accused of corrupt fund raising for ex-President Fernando Collor, has generated intense press coverage.

Mr Faria, who was arrested in Thailand last week, was subjected to Brazilian press overkill. The *Folha de São Paulo*, the country's most popular broadsheet, published a plan of the Thai prison which housed "PC", as he is generally known, and then a minute-by-minute summary of his 21-hour flight back to Brazil. *TV Globo* also dwelt at length on the flight, highlighting Mr Faria's request for a whisky and ice.

The government mouthpiece, *Folha de São Paulo*, still finds cause to celebrate 23 years of "Bridges, Roads and Schools" in a special pullout prior to independence day tomorrow. It wishes Mr Houphouët-Boigny a speedy recovery and prints many photos of the president looking relaxed and healthy in happier times.

Most papers, however, are devoting their attention to the political battle between Mr Alassane Ouattara, the prime minister, and Mr Henri Konan Bedie, the speaker of parliament, both of whom aspire

suggestions from Mr Faria's family that he has information on politicians and businessmen which could be delivered to the tax authorities.

In the present atmosphere of paranoia among politicians facing a seemingly endless stream of corruption allegations, these threats are taken seriously. But there is also an increasing sense that, with Congress discredited and the press in full cry, radical groups will capitalise on the uncertainty for their own ends.

COLOMBIA

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World Bank presses Asians to protect environment now

By Victor Mallet
in Bangkok

The belief in rapidly growing Asian economies that prosperity must be assured before environmental issues can be tackled is incorrect, according to a World Bank report, published today.

The report cites the principal causes of environmental degradation in Asia as government inaction, population growth, urbanisation and industrialisation, as well as the mistaken belief that strong economic growth is necessary to allow environmental protection.

In the report - *Toward an environmental strategy for*

Asia - the authors, Mr Carter Brandon and Mr Ramesh Ramanathan, argue against such a belief, saying that sensible environmental policies increase economic efficiency.

"The most financially viable environment-related investments are those that are good for both economic development and the environment," the report says. "including energy conservation, waste minimisation in industry (as opposed to end-of-pipe investments), recycling in the urban sector, fuel efficiency in the transport sector, soil conservation and sustainable forestry."

According to the World Bank, developing countries

need to spend 2 to 3 per cent of annual gross domestic product to achieve greater "sustainability". In Asia, this translates into about \$38bn annually by 2000, two-thirds of it in east Asia.

"It's cheaper to start with clean technology than to clean up afterwards," Mr Brandon told a news conference in Bangkok. He cited the example of Japan in the early 1970s, when a public outcry meant that a quarter of all industrial investment was directed to pollution control equipment, instead of the usual 3 to 4 per cent.

Increasing energy efficiency by 20 per cent by the end of the century, he said, would reduce the level of new capital investment required in Asia by \$90bn, the report says.

"Not only are these savings very large, they are three times the cost of installing cleaner technologies on the facilities still to be constructed," it says.

One problem in convincing Asian governments of the need for environmental protection is the lack of data about the true cost of environmental destruction.

Initial estimates suggest that air and water pollution in Bangkok costs more than \$2bn

a year, and in Jakarta more than \$1bn. "The magnitude of the [urban] problem is about 10 per cent of the total GDI of large Asian cities," Mr Brandon said. "While the magnitude of the solution is only about one or two per cent."

Some countries, however, are beginning to appreciate the scale of the problem. Mr Chuan Leekpai, Thailand's prime minister, told a conference on business and the environment in Bangkok last week that the government would invest about \$900m in environmental protection during the next five years.

The World Bank report paints a grim picture of environmental decay in Asia. With vehicle numbers doubling every seven years, urban air pollution is at "critical levels", and five of the seven cities in the world with the worst air pollution are in Asia.

East Asian industry is now more than nine times the size it was in 1965, and emissions of industrial and toxic pollutants have increased exponentially. The report suggests a number of remedial measures, including pricing to limit the output of pollutants, vigorous enforcement of legislation, and public disclosure requirements to embarrass polluters.

By George Graham
in Washington

The International Monetary Fund has almost enough money to relaunch its special loan fund to help the world's poorest countries restructure their economies, but the fund is facing an uphill struggle to win the final commitments it needs.

Donor countries have promised about 80 per cent of the funds the IMF is seeking for its Enhanced Structural Adjustment Facility, which lends money at 0.5 per cent interest to low-income developing countries, mostly in sub-Saharan Africa. But many donor countries have made their pledges conditional on other rich countries playing their part. Negotiations are now at a critical stage, if the ESAF is to be relaunched by the end of this year, as originally planned.

The IMF needs \$6m special drawing rights (25.35bn) in capital to be loaned to developing countries over the next three or four years. This money is deposited by government financial institutions, such as Japan's Eximbank, and earns interest, and so is less difficult to raise.

But the IMF also needs about SDR1.5bn of contributions to subsidise the ESAF interest rate at 0.5 per cent.

Although falling world interest rates have reduced the gap

IMF near special aid relaunch



SAFETY FIRST: Cambodian women marched in Phnom Penh yesterday to promote protection against AIDS

agencies in each donor country have been reluctant to hand over more of their shrinking resources to a multilateral programme such as ESAF, despite generally positive views of its results.

Japan and France, the two biggest contributors to the first ESAF, were among the first to commit themselves to the new facility. At the same time, the IMF has cast its net more widely and has obtained commitments from a number of countries in Asia, Latin America and the Gulf.

Many of the promises now on the table could be withdrawn, however, if the US cannot be persuaded to contribute something. Although the ESAF avoids any strict burden-sharing formula, countries watch each other in order to spot any government avoiding its responsibilities.

The US, the largest economy in the world, contributed only SDR105m to the SDR2.5bn subsidy fund for the last ESAF - less than Sweden or Switzerland.

The original ESAF, whose life has been extended to the end of this month, has made loan commitments totalling SDR3.2bn to 29 countries. Although about SDR2bn remains unspent, this money could be taken up quickly if agreements were to be reached, as expected, with Pakistan and possibly India.

Official meeting seeks global green funding

By Lise Branstetter
in Washington

International environmental officials hope to win promises of funds totalling \$2bn from donor countries to tackle global environmental problems over the next three years.

Delegates from more than 70 countries will meet at Cartagena in Colombia this week in an effort to turn the three-year-old Global Environment Facility into a permanent funding mechanism for the Rio de Janeiro conventions on global warming and biodiversity last year.

The interim GEF, due to expire in mid-1994, has so far distributed more than \$730m for projects related to the two conventions and for others meant to protect international waters and prevent ozone depletion.

Mr Mohamed El-Ashry, chairman of the interim GEF, said significant progress in narrowing differences of opinion among the member nations had left him "cautiously optimistic" that agreement would be reached. However, he added, there are "significant issues that need to be agreed - any hardening of one side or another on any of the issues could block agreement."

Governance and funding are among the most critical remaining issues, he said.

In other international funds, such as the World Bank's International Development Association, the US provides 20.86 per cent of funds.

Analysts speculate the US may provide a similar percentage of the GEF, or about \$400m. This figure would probably make the US the largest contributor to the GEF.

The US did not contribute to the \$1.1bn core funds of the pilot project, but has committed \$150m in parallel financing.

Before committing funds, the US must have the ability to screen controversial projects, according to a US Treasury official.

The US also wants information about projects to be accessible, with provisions for the participation of local people and non-governmental organisations.

An independent evaluation of the interim GEF cited problems similar to the US concerns as issues to be addressed so as to improve the facility's environmental and social impact.

"If we do not reach key policy objectives, we will not proceed," the Treasury official said.

China to let foreigners into air joint ventures

China yesterday said it would let foreigners run joint-venture airlines in 1994, as part of a programme to speed the development of aviation. Reuters reports from Beijing.

Foreigners also would be allowed to invest in China's commercial airports and run all operations except air traffic control, according to Mr Lin Kun, a senior foreign trade official. He also said similar investment would be allowed in other parts of China's transport system and infrastructure.

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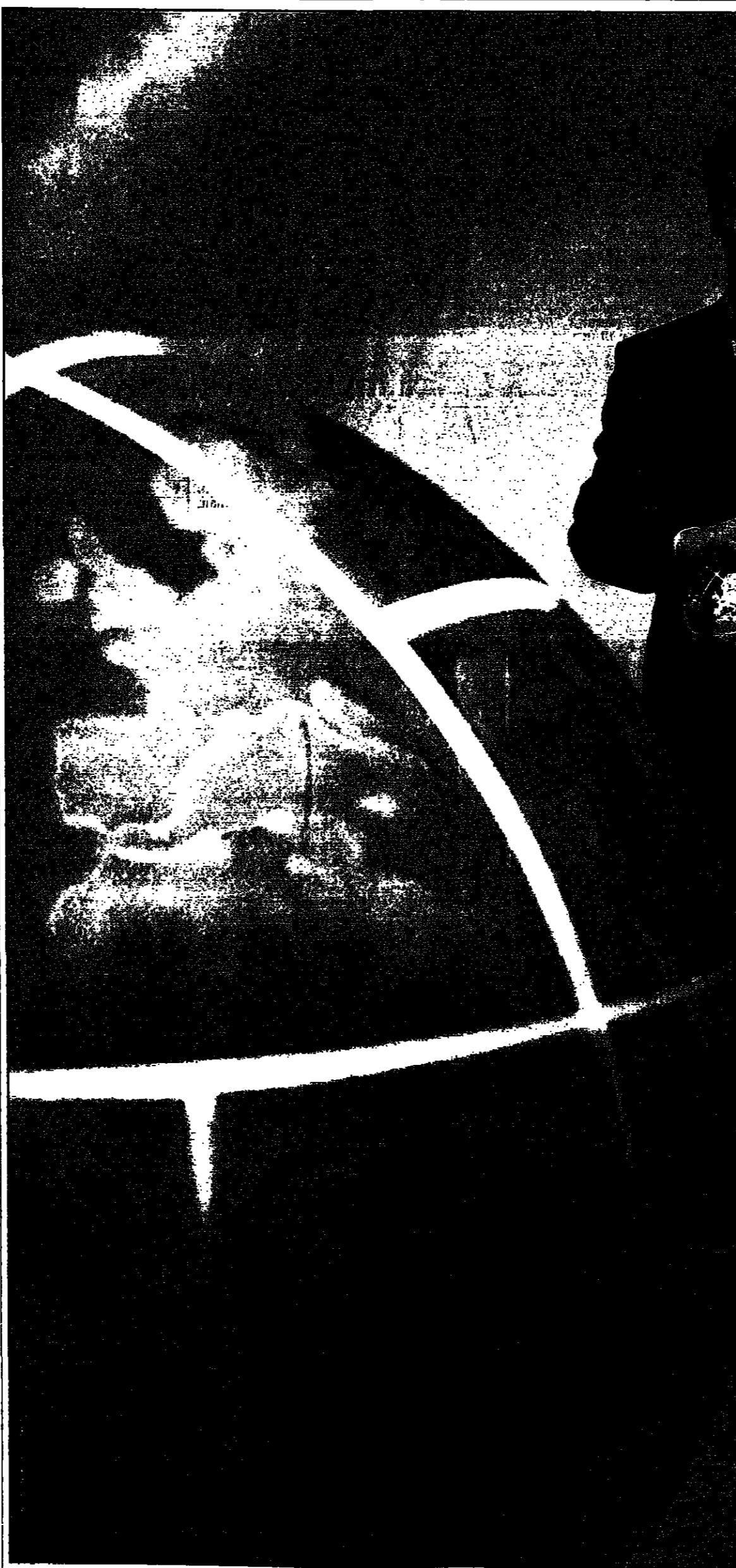
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Government may strengthen anti-fraud body

By Kevin Brown, Political Correspondent, and John Mason, Law Courts Correspondent

The British government is considering increasing the responsibilities of the embattled Serious Fraud Office as part of a shake-up in the battle against white-collar crime.

The SFO would be enlarged to take on the most important cases currently investigated by the Fraud Investigation Group, of the Crown Prosecution

Service. The proposal reflects strong government support for the SFO in spite of the growing criticism of its handling of a range of high profile trials.

The controversy rose to a crescendo last week in the wake of the sentencing of disgraced financier Roger Lefèvre to 180 hours of community service and the SFO's admission that it gave privileged defence documents to the prosecution in the case of fugitive businessman Mr Asil Nadir.

The government has set its face against dramatic changes at the SFO, such as a switch to a single regulatory body like the US securities and exchange commission. Such a change it says is "not on the agenda".

A small team of Whitehall officials led by a senior Treasury official is reviewing all the SFO's cases. But the government is confident it will show that the SFO remains the most effective unit for fighting serious fraud. Reverses are said to have been

caused by a mixture of bad luck and unexpected trial rulings which do not detract from the "great skill" with which the cases were handled. The SFO is said to have received insufficient credit for its 95 per cent conviction rate.

The exception is the case against Mr Nadir, former head of Polly Peck International, the failed trading company. Sir Nicholas Lyell, attorney general, admitted on Friday that the SFO wrongly released privileged doc-

uments to lawyers prosecuting Mr Nadir. The government view is that the documents were mistakenly released by an official who was not sufficiently well supervised.

Ministers are satisfied Mr George Staples, SFO director, has taken prompt action to overcome weaknesses exposed by the Nadir case.

The government is also pressing for greater co-operation between the SFO, the CPS, the metropolitan police and City regulatory organisations.

Treasury told to ease off

By Peter Marsh

Mandarins at the UK Treasury have been told to abandon the habits of a lifetime and go home early rather than risk overworking and disrupting their family lives.

An internal survey earlier this year indicated that large numbers of the Treasury's 1,400 staff often worked 11-hour days. Now Sir Terry Burns, Treasury permanent secretary, has told senior officials that their junior staff should cut down on excess work by reducing their briefings for ministers and other Whitehall departments.

The shift is designed partly to install a more relaxed atmosphere and encourage more women with family commitments to rise to the top.

In an effort to make the Treasury culture more sympathetic to women, who comprise 46 per cent of all staff but just 7 per cent of the top 140 officials, Sir Terry is meeting a group of junior women from the department tomorrow to discuss childcare provision and part-time working. This follows an earlier meeting with senior women officials to discuss such issues.

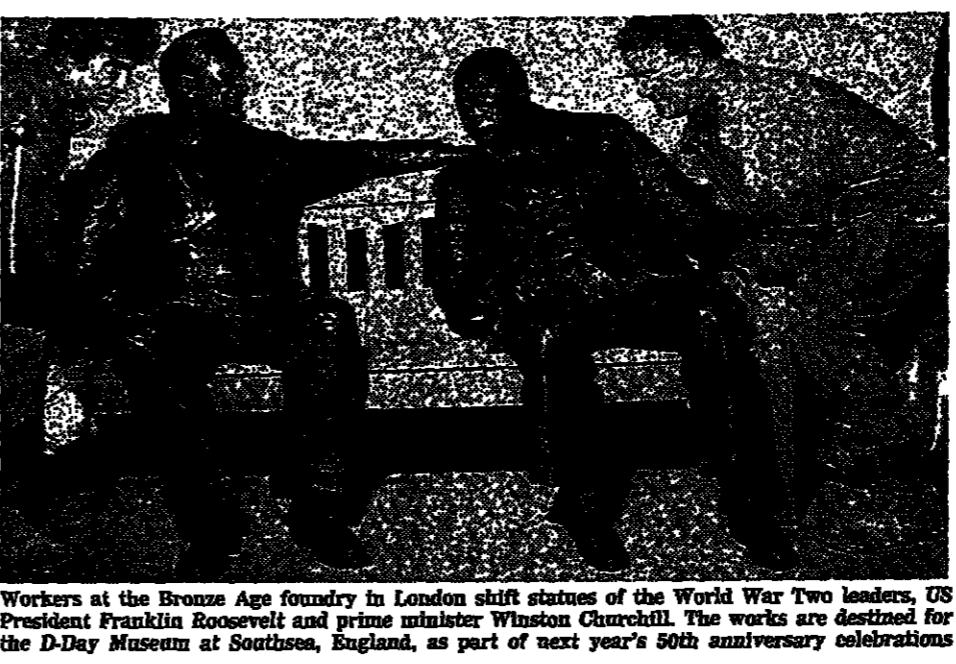
The initiatives are designed to counter what an official says is a "macho" style at the Treasury of encouraging overwork, which officials now admit is sometimes counterproductive.

One official explained: "We have a tremendous tendency to write a vast amount of briefings which are used for purely defensive purposes." Another admitted: "We

waste a lot of time producing the same material over and over again."

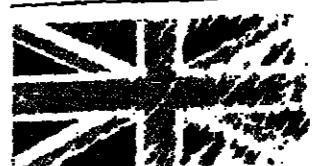
Sir Terry's initiative comes as the Treasury is starting an unprecedented project with 15 leading companies including BP, British Aerospace, Nissan, IBM, Cable & Wireless, Boots and Lloyds Bank to encourage more of its officials to mix with industrialists to learn about business.

These efforts are part of a broad move by Sir Terry to refocus the energies of his department and to change the management style of Britain's most important government department, which has been criticised for being too introverted and over-concerned with limiting public spending rather than thinking imaginatively about the economy.



Workers at the Bronze Age foundry in London shift statues of the World War Two leaders, US President Franklin Roosevelt and prime minister Winston Churchill. The works are destined for the D-Day Museum at Southsea, England, as part of next year's 50th anniversary celebrations.

Britain in brief



Effort to keep Ulster peace deal on course

The British and Irish governments yesterday offered reassurances to the Northern Ireland Unionists on an attempt to keep peace negotiations on course.

Mr Douglas Hurd, the foreign secretary, bluntly rejected suggestions that Britain agreed to compromise on the Irish claim to Ulster during talks in Dublin on Friday.

Mr Hurd said there had been "no softening on any point of principle. The principle here, and the key to the whole thing, is consent," he said.

Mr Hurd said the talks between Mr John Major, the British prime minister, and Mr Albert Reynolds, his Irish counterpart, had gone through some "rough passages".

But he said there was agreement on both sides that the future of Northern Ireland remained firmly in the hands of the people of the province.

Mr Reynolds, speaking on Irish radio, said reports of British concessions on the constitutional issue were "ill-informed nonsense".

He also confirmed that the Irish government is willing to offer a written pledge to hold a referendum - but only as part of an overall settlement.

Mr Reynolds said the talks were still "firmly on course", in spite of very serious disagreements exposed on Friday. However, he said time may be running out for a deal.

City cordon set to stay

City of London police may use traffic management powers to retain the controversial security cordon around the Square Mile if objections seek its withdrawal next year.

The cordon, which restricts and monitors traffic movements in the central area of the City, was set up in July following April's Bishopsgate bombing. It was introduced for a six month experimental period under traffic powers, and the City Corporation is likely to extend the experiment for a further six months.

Retention for longer than that would require government approval.

Consortium for defence system

A consortium of 17 European companies led by Logica, a large British computing services group, is developing a battlefield control system which could give the UK and Europe a technological edge over the US in electronic warfare. It may also have applications in civil systems including the emergency services and air traffic control.

The "Grace" consortium includes Matra Cap of France, Dantec of Italy, Iberia, Sistemas de Spain and the Dutch National Aerospace Laboratory.

The contract, worth some £12m, is being funded under the European Collaboration for the Long term in Defence (Euclid) programme. The defence ministries of the participating seven countries have put up £2m each and the companies are investing £2m of their own money.

Virgin to start Dublin service

Mr Richard Branson's Virgin Atlantic Airways is starting daily London to Dublin services from January 16, it was announced yesterday.

Virgin will operate five-times-a-day weekday services to the Irish capital from London City Airport in London's Docklands in a deal with new Irish aviation company Cityjet.

Mr Branson said: "Virgin would be using two British Aerospace 146 jets on the Dublin route."

As well as the weekday services, Virgin will also operate twice-a-day services at weekends.

Philharmonia is London choice

The Philharmonia has been chosen by Lord Justice Hoffmann to be London's "super orchestra". His decision, given to the Arts Council music panel on Friday, has yet to be made public.

The Council asked Lord Hoffmann, a judge and music lover, to conduct an inquiry into three subsidised orchestras, the London Philharmonia, the Royal Philharmonic and the Philharmonia, two of which would lose their subsidy while the successful candidate received an increased grant. The London Symphony Orchestra, resident at the Barbican, was excused the competition.

The Arts Council's music panel will have to decide whether it agrees with the choice. If it does, the full Arts Council, meeting next week, could still overturn the decision.

BBC examines theme park plan

The BBC is looking at the possibility of building a multi-million pound theme park or exhibition centre in Britain which would feature sets and characters from some of its best-known programmes.

The project is being examined in conjunction with Pearson, owner of the Financial Times, through its wholly-owned subsidiary Tussauds Group, which runs Alton Towers, Chessington World of Adventures, Madame Tussauds and the London Planetarium, next door to the famous waxworks.

The Tussauds Group runs the largest number of paid attractions in Britain. These include Alton Towers in Staffordshire which last year attracted 2.5m visitors and Madame Tussauds with 3.2m.

British Chambers of Commerce in Europe initiative

By Michael Ingham, Business Correspondent

The British Chambers of Commerce in Continental Europe has launched a support service to help small and medium-sized UK companies with business on the continent.

The organisation, which operates in 11 European countries and has more than 6,000 members, has agreed to provide information and assistance to companies who want to begin selling in continental markets.

Mr John Major, the prime minister, has endorsed the move, which will be supported by several government departments. The initiative means that companies will be able to enlist the help of staff nominated within each local chamber to analyse local market opportunities and to identify potential customers.

Mr Michael Ingham, president of the council of the British chambers, said that the chambers had represented an unmet resource for British exporters but that they had now been able to agree a joint plan of action to be adopted across Europe.

It is of the utmost importance, especially to small and medium-sized companies, that there is a group of people throughout Europe ready to assist them penetrate these markets.

Mr Ingham said the level of on-the-ground support in Europe for British exporters had generally compared unfavourably with the help provided to other European competitors.

He believed the British chambers had the right mix of business expertise and local market knowledge to help redress the imbalance.

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BUSINESS TRAVEL

Johannesburg has acquired an unhappy reputation as one of the most violent cities in the world. Certainly, in some of the neighbouring townships, the cost of human life sometimes appears alarmingly cheap, but the business visitor should start out in a more positive frame of mind.

Now that sanctions against South Africa have been lifted, there will be an increasing number of foreign business travellers arriving in the commercial capital for the first time. If you are paying your first visit, you are likely to have several concerns: how safe will you be? Where should you stay? And what can you do in your free time?

In terms of safety, staying and working in downtown Johannesburg is not markedly different from visiting other large cities. There are muggings. Cars are sometimes hijacked. But Johannesburg is not the Wild West outpost it is often portrayed as.

The normal rules of prudence should ensure the safety of any visitor: take care about being alone at night, do not wear ostentatious jewellery, and avoid visiting remote areas.

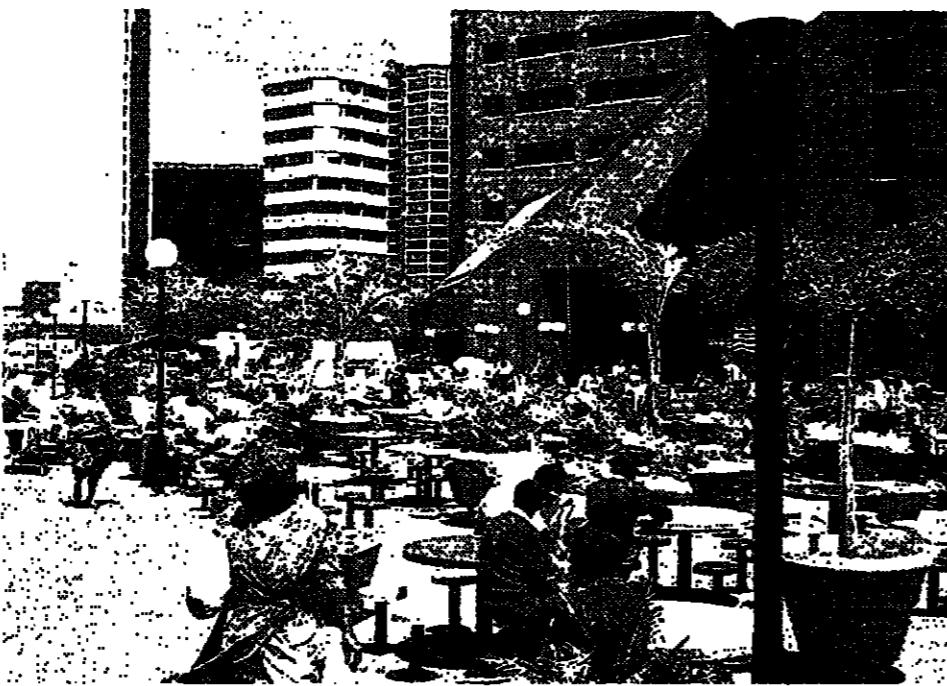
Nevertheless the city centre's poor image has taken its toll. The Carlton is the only five-star hotel left in the centre, compared with four a few years ago.

Most businessmen prefer to stay slightly north of Johannesburg in Sandton, at the Sandton Sun and Towers, or at the Rosebank hotel, in the city's leafy northern suburbs. New hotel developments in the northern suburbs are expected, with Hyatt, the US hotels group, likely to run a hotel there.

If you are visiting government departments in Pretoria, which is 45 minutes' drive from Johannesburg, or an institution such as the Development Bank at Midrand, midway between Johannesburg and Pretoria, it makes sense to be in Sandton. It is also a good

Philip Gawith guides the first-time visitor around Johannesburg now sanctions have been lifted

More first world than wild west



Seat of commerce: to visit Johannesburg's financial community, you'll have to go to the city centre

place to stay if you are visiting some of the many companies - particularly consumer groups, advertising agencies and small financial institutions - that have moved into Sandton and the suburbs from the city centre.

Be warned, though, you will pay for the privilege - Sandton hotel rates are now considerably higher than those in the city centre.

For visits to many other

institutions, however, the Carlton is more convenient. The mining houses, financial companies and stock exchange are all still in the city centre. For those concerned about their security, the hotel offers a minder free of charge, who will accompany guests walking around town.

For those who choose to defy convention and opt for the city centre, there are two advantages.

chauffeur to get to appointments.

Johannesburg has a first-world infrastructure. New visitors are often surprised at the quality of the roads and the telephone system. Staying in touch with the office back home is not a problem.

The climate is excellent, but it is not always as clement as foreigners expect. A typical summer can be quite wet, with frequent afternoon thunderstorms and occasional wet spells. Also, although summer days tend to be warm (25-32 degrees Celsius), there can be quite a chill in the evenings. The winters can be cold, but are usually sunny and dry.

First, most of the city's limited cultural activities are located there. The Market Theatre complex, in particular, is home to some of the most interesting theatre and music, especially jazz.

Second, the city centre is predominantly black. Staying there reminds you - by no means in a threatening way - of what continent you have come to do business in. The mostly white northern suburbs can easily foster the illusion that you are in San Francisco or Sydney.

There are no quirky business conventions, but visitors are

Tips

Top hotels pick up guests from the airport if arrangements are made beforehand. Otherwise, a taxi to the city centre or Sandton will cost about R85 (£17).

Public transport in the city is poor. Visitors need to hire a car, use taxis or employ a

bus to get to appointments. New visitors are often surprised at the quality of the roads and the telephone system. Staying in touch with the office back home is not a problem.

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South African business culture is very Anglo Saxon in orientation, but visitors from continental Europe tend to liken it more to the US than the UK.

There are no quirky business conventions, but visitors are

Etiquette

South African business culture is very Anglo Saxon in orientation, but visitors from continental Europe tend to liken it more to the US than the UK.

There are no quirky business conventions, but visitors are

sometimes struck by the formality of some of the mining houses and banks. Meetings and lunches are normally jacked-up affairs, and even fellow directors often refer to the chairman by his title or surname.

Consumer companies are more relaxed and are also more likely to invite their visitors for a game of golf. The business community is fairly cordial to visitors: the chances are that you will be invited out in the evening rather than left to languish in your hotel.

The promotions are designed to fill seats when European traffic is at a traditional post-Christmas lull between January and March.

Lufthansa was the first to

start the Christmas discounts

with a reduced fare package

for parties of two to four

people for travel within Europe. Under the scheme,

the first passenger pays the

full fare, the second gets a 50

per cent discount, and the

third and fourth get discounts

of 25 per cent each. They must

spend a Saturday night at

their destination.

British Airways has responded with fare cuts for flights from Frankfurt to London. Air France has a similar package as Lufthansa for its flights out of Germany, while SAS and KLM are also offering lower fares.

British Airways flights to Delhi transfer from Gatwick to Heidbrunn from today. They will operate alongside the airline's established services to Bombay and Madras from Terminal 4. An extra flight to Delhi is also being added, making six a week.

British airlines, airports and travel agents are still seething over the announcement of a new departure tax in last week's Budget.

Air passengers flying to another UK or European Union destination will have to pay £5. Those flying elsewhere will pay £10.

Transfer and transit passengers will be exempt, as will children under two, and those making return journeys within the UK.

The tax comes into effect in October next year. The

European airlines spar over prices

European airlines have launched a series of Christmas promotional discount fares which they describe as a "skirmish" rather than an all-out fares war, writes Michael Skapinker.

The promotions are designed to fill seats when European traffic is at a traditional post-Christmas lull between January and March.

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newspapers in the Chinese capital. The 1,300km line is intended to ease congestion.

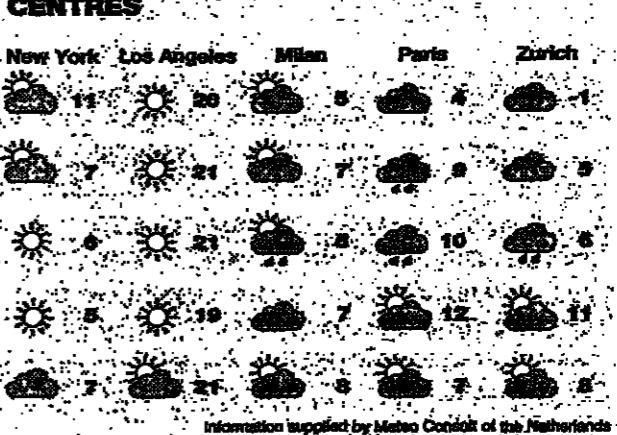
Sabena, the Belgian airline, plans to operate a joint flight with Delta Air Lines between Brussels and New York. Under the plan Delta would book seats on Sabena's daily flight from January 16.

Philip Morris, the US cigarette manufacturer, is funding smoking rooms at airports in an attempt to counteract the growth in non-smoking policies. Hartsfield Airport, Atlanta, has banned smoking in all areas. Philip Morris is spending \$250,000 to help build 10 smoking rooms.

KLM, the Dutch airline, is cutting fares to 27 European destinations by between F184 (\$28.40) and F1833 per return ticket between December 27 and March 27.

British nationals planning to travel to Libya should consider whether their visits are necessary. The UN Security Council imposed sanctions against Libya in April 1992, including a ban on flights to and from Libya. These sanctions remain in force and were supplemented by further sanctions, including a freeze on Libyan assets and a ban on exports of oil-related equipment, last Wednesday. All British nationals should register with the British Interests Section, Italian Embassy, Tripoli. Tel: 011-270 4128, fax 011-270 4228.

Further consular advice can be obtained from the Travel Advice Unit, Consular Department, Foreign and Commonwealth Office, Cirencester House, Petty France, London SW1H 9HD. Tel: 011-270 4128, fax 011-270 4228.



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THE MONDAY People page

Seeking a secure future in Japan

Robert Thomson explains why Yoshihiko Miyauchi is embarking on a sales tour

Over the next few days, Yoshihiko Miyauchi will be encouraging international investors to sit back, relax and let thoughts of sell orders drift from their mind. Miyauchi will be visiting the UK and US to deliver a sales spiel to investors in his role as president of Orix, the Japanese leasing and financial services company.

But the timing means that he will be speaking for more than just his company.

The message he brings from the Tokyo stock market will not be comforting. The market has swung alarmingly in the past two weeks with the government under mounting pressure to deliver another stimulus to the ailing economy and to prop up stock prices. As Miyauchi puts it: "Maybe we will be peeping at hell next year. The government must intervene to encourage more transactions. It has happened in Europe and the US, but in this country it takes a longer time to get a consensus."

Miyauchi moves easily between the worlds of politics and finance. He apparently has a good friendship with prime minister Morihiro Hosokawa. He also carries influence within the Ministry of Finance, which is often unsympathetic to the so-called non-banks such as Orix.

Miyauchi, 58, is linked with Hosokawa in Japanese minds because he is one of the relatively young executives who did not endure the slow climb through the corporate hierarchy, which would only have allowed him four years at the top at an advanced age. He has been president since 1980. His success has entitled him to a long reign.

Orix reflects its president's unconventional character. Large Japanese companies are cosseted by cosy cross-shareholdings with other groups. Only a tiny proportion of their shares are owned by foreigners.

By contrast, 27 per cent of Orix is held outside Japan, prompting Miyauchi's taking to the road to soothe frayed nerves.

Foreign shareholders sometimes do not buy the company itself; they buy countries together with companies. They don't always look at the bottom line. If they lose confidence in Japan, they tend to sell regardless of the company. That is happening now," says Miyauchi, who uses his hands for emphasis more than do most Japanese executives.

These are difficult times for Japanese financial companies, and Miyauchi will choose his words carefully while on tour. Four years after the peak in Japanese stock prices, the market is still vulnerable to sudden falls which can reverse months of gradual gains. The latest dive came with the realisation that the banking system was still creaking under the weight of bad loans, made during the bubble era of the late 1980s.

That has left Japan's mainstream banks under a cloud but there are deeper fears about non-banks, as financial companies such as Miyauchi's Orix are known.

Miyauchi presides over an extended Orix family of companies. The names of subsidiaries stretch over five pages in the annual report. At the core is equipment leasing and consumer finance, then there is aircraft leasing, a securities house, the Orix Collection of fine art, a professional baseball team (the Orix Blue Wave), a car rental company, and a joint venture consumer finance company in Shanghai, which will give Chinese shoppers their first credit rating.

"We have very tight control over group companies. We know what has been happening, especially in the real estate divisions. I am watching the problem loans day-to-day and the problem ventures," Miyauchi says. "We have one or two problems in golf courses and resorts. We have already done our best and things are moving forward. They will not be profitable but they will be viable."

He says Orix was the first financial company to tackle non-performing loans, three years ago, though the



PERSONAL FILE

Born: Hyogo, Japan, 1935
Education: Business studies at Kansai University
Academic qualifications: MBA from University of Washington, Seattle, 1980
Career:
1954: joined Orix
1973: General Business division
1979: Vice president
1980: President

group's allowance for loan losses fell 3.7 per cent over the year to September, when Japanese banks sharply increased their loan loss provisions. Measuring the Orix exposure is not easy. But it was not exempted from some of the more exotic transactions of the bubble years of the stock market. One member of the family, Orix Alpha, was a lender to Nui Otsuka, the infamous woman from Osaka, who used seances for investment advice and presented forged deposit receipts as collateral.

The cause of the financial system's lingering ailments is not eccentric stock speculators, but the aggressive lending to the property industry, made painful by a fall in land values and the draining of liquidity from the market. Miyauchi believes demand for residential property could recover but he believes the commercial market is a "disaster". The worst is yet to come, he warns.

Confident enough to handle an interview in English, he received an MBA from the University of Washington, Seattle, in 1960. His interests appear to have become as diverse as his company, which he joined in 1964 on its formation.

He bemoans Japanese financial companies' inability to follow the lead of its manufacturing companies, such as Sony, which have a track record for innovating world class products.

He says: "The Japanese economy has become a power world by the power of manufacturing. If you look at the financial

sectors, we have a huge amount of funds available, but we have not created any financial service transactions which can be used in other parts of the world. We try to import everything and in many cases the government tries to stop it."

Well connected Miyauchi may be, but Japanese and foreign financial companies struggle to get approval from a conservative finance ministry for new products. After several years of negotiation, Orix became the first non-bank in July to issue commercial paper, giving non-banks more flexibility in raising finance when Japanese banks are wary of fresh lending.

Miyauchi's flexibility is rare in Japanese financial circles. But that does not mean he lacks other more traditional Japanese business characteristics, such as patience, which has been one of the hallmarks of its approach to China.

The company formed the first joint venture leasing company in Beijing in 1981, and the Shanghai consumer finance deal came after Orix had cultivated contacts for more than a decade.

"China is very, very difficult. It changes very quickly. I ask myself whether it is taking off," he says. "People are eager to have a better life. Now they would like more money. That is a big incentive for anyone to become a more economically-aware human being."

Dealing with foreign fund managers should be easier than convincing Chinese cadres to have faith in Orix.

Personae

Tabuchi emerges from hiding

Is Setsuya Tabuchi, former chairman of Nomura Securities, finally coming out of hiding, asks Emilio Tenayza. Otherwise known as "Big Tabuchi", the man who was once king of Japan's securities industry, has been lying low since he was forced to resign in mid-1981 following the spate of securities scandals.

However, many in the financial community see his meeting with prime minister Morihiro Hosokawa last Tuesday, when the stock market plunged to a year's low, as a prelude to his return to power. This return visit has encouraged investors, and the Nikkei average has since perked up slightly, helped by reports that Big Tabuchi was



advising Hosokawa. Tabuchi, currently an adviser to Nomura, has been waiting to prove he has not lost his touch. He has been entertaining prominent politicians and officials of various countries, including Lady Thatcher.

He says he only advised Hosokawa that public funds should be used to help the country's ailing banks with their non-performing loans. It was probably valid advice for leading politicians, many of whom have extensive shareholdings.

Retail banker moves up at First Chicago

Leo Mullin, the 50-year-old Harvard-educated banker recently named as president of First Chicago Corporation, has thus become heir-apparent to First Chicago chairman Richard Thomas, the engineer of a remarkable turnaround over the past two years at the US's eleventh largest bank, writes Lauri More.

Mullin's first task will be to convince Wall Street, and the ranks of First Chicago's institutional bankers, that despite his history as a retail banker, he will maintain the bank's successful balance of retail and global corporate banking activities. First Chicago, after a decade of mishaps and disappointing returns, is now profitable and poised for growth.

Mullin's promotion not only paves the way for an orderly succession to Thomas, who must retire in 1996, but suggests that the bank plans to expand through retail bank acquisitions. Mullin came to First Chicago 14 years ago as a strategic planner and ended up directing the corporation's

retail banking activities.

He has plenty of experience of producing healthy businesses out of turnaround situations. He is credited with preserving First Chicago's credit card portfolio in the early 1980s. A loss-maker at the time, the credit card division is now one of the bank's biggest profit centres.

Before joining First Chicago, Mullin spent nine years at McKinsey, where he helped forge Controll out of a handful of failed eastern freight carriers. Mullin claims he fully understands the bank's balance of business. "My job is to develop a strategy for the entire corporation," he says.

"We have as much upside in corporate banking as anywhere else."

Still, he is keen to keep First Chicago a leader in its home market. Barely a week after his promotion, First Chicago announced it would acquire Lake Shore Bancorp, a local institution with \$1.2m in assets and headquarters on Chicago's posh Michigan Avenue for \$322m in stock.

First Chicago's share price fell after the deal, which analysts viewed as pricey. However, Mullin says the purchase makes strategic sense and that First Chicago should grow aggressively in all its divisions.

A proponent of brown coal

These are tough times for Manfred Stolpe, prime minister of Brandenburg, which has the only social democratic-led government in eastern Germany, writes Judy Dempsey. As an engineer and former head of the Evangelical Church in east Berlin and Brandenburg, Stolpe has been hounded for his alleged connections with the Stasi. As a politician, he must answer for the state's level of unemployment which officially exceeds 17 per cent.

Brandenburgers yesterday voted in the state's first local government elections since reunification, but Stolpe, born in 1936 in Szczecin, then in Germany but now in Poland, is determined to set his sights on next year's state and federal elections. Success in two key sectors of Brandenburg's economy - brown coal and steel - could ensure him another term. The going will be tough.

The economic viability of the giant Laubeg mines, which the Treuhand privatisation agency is selling, depends on producing 55m tonnes a year. That would secure 12,000 jobs, a fifth of pre-unification times. The problem Stolpe faces is the growing rebellion from the cities which want to switch away from lignite to clean gas.

"I am convinced we can make brown coal competitive. The fact that Britain's PowerGen and the Americans are buying Milnreg [lignite fields in Saxony-Anhalt] is a signal that brown coal has a future, and a clean one at that," he says.

Keeping afloat EkoStahl, one of the region's largest steel plants, will not be easy. The Treuhand is negotiating its sale to Riva, the Italian steel manufacturer. But the European Union is questioning the level of subsidies involved in turning the plant into a mini-mill. "We hope the EU will support us," says Stolpe. "The subsidies will not be needed indefinitely. There are markets in eastern Europe, Ukraine and Russia for EkoStahl's products."

If Stolpe could secure a future for Brandenburg's brown coal and steel, the burghers might secure him a political future too. If so, it would prove that an Ost, or easterner, can ride the storm.

INVEST IN A
MIRACLE

TUESDAY, DECEMBER 7TH

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WOOD GUNDY

The
in
and out
of buy-in
and
buy-out

On Wednesday, December 8 the Financial Times will publish a survey on management buy-outs.

As well as looking at recent management buy-outs and management buy-ins, it will illustrate recent upward trends in this sector, both at home and overseas.

And there will also be a practical guide on how to stage a management buy-out.

So whether you're interested in buy-ins or buy-outs, buy the FT.

FT Survey of Management Buy-Outs.

FT. Because business is never black and white.

Theatre / Malcolm Rutherford

On a long road to the promised land

It comes as a shock to be reminded that Strindberg wrote 65 plays - how few of them one has read or seen. *The Great Highway*, written in 1909, was his last and remains one of his best-known works. It is now revived in all its sombre, northern splendour at the Gate Theatre in London's Notting Hill - an appropriate venue because the refurbished Gate seems designed for plays about mental anguish.

Let me include a caveat before praising it. *The Great Highway* seems to me much more a dramatic poem than a piece for the stage.

It is written in at times, extraordinarily striking blank verse. There are echoes of Ibsen's *Pier Gyde* and sometimes *Bruna*. For it is a wayward preacher looking back at his past in a place never wholly defined. There are scenes of dramatic action, to be sure, but it is almost impossible to get away from this central character, who must be Strindberg himself.

The location looks like somewhere between heaven and north of Stockholm. A signpost at the start has arms pointing in two directions: one up, one down. Whether these are the way to paradise and perdition is unclear.

full survey of one man's life.

The great highway was real: it was the new road being built from the Swedish capital, to which Strindberg had returned, to the north of the country. (In England we would have called it the great north road.) It is also full of symbolism. Biblical images abound.

"Is this the way to the promised land?" a traveller asks,

down. Whether these are the way to paradise and the way to perdition is unclear. Equally ambiguous is whether the Strindberg character, described simply as the hunter, is trying to get back from the higher reaches to the lower or the other way round. Possibly it is a bit of both. It is clear enough, however, that this is the pain-

only to be told: "This is the straight way." Thus presumably it is not the only way. There can be lots of stops and dalliances en route.

Now is religion the whole of the play. "What's to the north?" the hunter asks at the beginning. "A cliff of slate, a cloud like a schoolroom blackboard as yet unwritten on." Education and humanism must have been just as central. And there is one most peculiar fact: Strindberg in his wanderings introduces an old dying Japanese man. "I have travelled, stoned, and suffered by the name 'Hiroshima' after my native town," he says. No wonder some people claim Strindberg was prophetic.

The last, poignant line of the play says it all: "I could not be the one I longed to be." The hunter is masterfully played by Sylvester Morand. The direction and design by David Farr and Angela Davies respectively are full of surgical Scandinavian precision, but I still think it is more of an epic poem than a play.

Gate Theatre until January 8. (071) 229 0706

Opera/Richard Fairman

Die Fledermaus

An opera producer with a sense of humour is usually worth the price of a ticket. Among the new breed of British producers who came to the fore in the 1980s, Richard Jones is the one most likely to be found with a smile on his face. Even in heavyweight Wagnerian music dramas he cannot resist tickling the audience's ribs occasionally.

Unfortunately, it was a loud raspberry from the press which greeted his production of *Die Fledermaus* two years ago. So often operas in the care of English National Opera have succumbed to what one might call the London Coliseum treatment: play it big, play it brash, play it vulgar. By all accounts Jones did all three and threw in a bare bottom as the final insult. The reviews may have been awful, but at least the photos made page three.

Now the opera is back and for this revival the company has taken the precaution of covering its posterior. As I did not see the show the first time round, I cannot say what else has changed, but clearly a rethink has managed to turn this *Die Fledermaus* into a more disciplined evening.

Forget Vienna, 1874, whatever the calendar on Colonel Frank's prison wall might say. This production has never been nearer to Austria than the end of Brighton pier and is content if it can get a laugh by mentioning Sachertorte and having people say "Auf wiedersehen".

Indeed, the first act works desperately hard to raise any laughter at all, but when the curtain goes up on the second, Jones's sense of the ridiculous starts to work. The crazy staircase, the sloping dining-tables from which the candelabra never slide off, the 25-foot chaise longue are all zany, off-centre fun.

It is down that ludicrously



Nigel Planer and Rosemary Joshua in *Die Fledermaus*

extended sofa that Geoffrey Doltin's Eisenstein crawls, rolls and somersaults in a virtuoso performance, as he tries to seduce his own wife. The comic energy is unstinting and he really seems an "all-round

Down that ludicrously extended sofa Geoffrey Doltin's Eisenstein crawls, rolls and somersaults in a virtuoso performance, as he tries to seduce his own wife. The comic energy is unstinting

under wraps. Richard Stuart is a less bumbling Colonel Frank than usual: Paul Napiers Burrows has enough voice, but possibly not enough personality for Dr Falke. Nobody enjoys himself more than Anthony Mee as Alfred the tenor, his accent now North-of-Watford, now Italian Riviera. Thérèse Feigen is the nicely pale new Orlofsky, Nigel Planer an alterna-

tive comic frosh.

There were moments in the overture when it seemed the music might grind to a halt - surely Strauss's rubato is meant to be the musical equivalent of a comma, not a full stop? - but Jerry Maksymuk did eventually get the show on the road. It seemed shorter than *Die Fledermaus* often does. If the dialogue had been cut, that is no loss. The translation does not exactly sparkle with champagne wit.

As a spirited, red-haired Adele, Rosemary Joshua reveals some sparkling top notes, but keeps her bottom

notes, but keeps her bottom

Further performances continue until February 10.

Performances continue until February 10.

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE
Staatsoper unter den Linden The main event this week is the first night on Sun of a new production of *Die Walküre*, conducted by Daniel Barenboim, staged by Harry Kupfer and designed by Hans Schwarmoch, with a cast led by Deborah Polaski, John Tomlinson and Paul Elmling (repeated Dec 15, 19, 22 and 26). Gundula Janowitz gives a song recital on Fri (200 4762/2035 4494). Deutsche Oper Götz Friedrich's new production of *Un ballo in maschera* opens on Dec 19. Repertory includes *Tosca*, *Die lustigen Weber von Windsor* and *Hansel und Gretel*. Bernd Weidt gives a song recital tomorrow (341 0249).

CONCERTS
Schauspielhaus Tonight: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Egger, Lalo and Mozart. With cello soloist Gustav Riwilus. Thurs, Fri, Sat; Dresden Kreuzchor sings Bach's *Christmas Oratorio*. Sun: Akademie für Alte Musik in Bach's

Christmas Oratorio (2090 2156).

Philharmonie Wed, Thurs, Fri: Claudio Abbado conducts Berlin Philharmonic Orchestra and Ankor Children's Choir in works by Berio and Beethoven, with piano soloist Murray Perahia (another Abbado/Peraia programme can be heard next week). Sat: Yuri Bashmet and Moscow Soloists. Ned Mori, Gidon Kremer and Chamber Orchestra of Europe. Dec 19, 20, 21: Hamoncourt conducts Mendelssohn and Schubert (2248 8132).

THEATRE

Two Ibsen plays open this week - *The Lady from the Sea* directed by Frank Castorf at Volksbühne am Rosa-Luxemburg-Platz (282 3304), and Hedda Gabler directed by Andrea Breth at Schaubühne (890023). Athol Fugard's 1982 autobiographical play *Master Harold and the Boys* opens at Maxim Gorki Theater on Thurs (208 2783). Peter Sellars' English-language version of *Aeschylus' The Persians* runs at Hebbel-Theater from Dec 10 to 18 (251 0144). Berlin Ensemble's new production of Sean O'Casey's *Juno and the Paycock* opens next Mon (262 3160). Corneille's *Le Cid* and Tennessee Williams' *Suddenly Last Summer* have joined the repertory. Deutsches Theater (2844 1226). Ute Lemper is in residence at Bar jeder Vernunft till Dec 19 (883 1582).

NEW YORK

THEATRE
• Angels in America: Tony Kushner's epic two-part drama about religion, sex AIDS and corrupt politics in contemporary America

(Walter Kerr, 219 West 48th St, 239 6200).

• The Kentucky Cycle: Robert Schenkkan's 1992 Pulitzer Prize-winning drama follows 200 years in the life of a mining family in Appalachia, and is performed in two parts (Royale, 242 West 45th St, 239 6200).

• Abe Lincoln in Illinois: Robert E. Sherwood's 1939 drama about Lincoln's life in the years running up to his presidency. Sam Waterston has the title role (Vivian Beaumont, Lincoln Center, 239 6200).

• Any Given Day: Frank Gilroy's new play demonstrates that dysfunctional families existed in the Bronx as far back as 1941 (Longacre, 220 West 48th St, 239 6200).

• The Survivor: Susan Nanus's play about the experiences of a teenager who ran a smuggling operation during the Warsaw Ghetto and then survived several concentration camps. The script tends to be didactic, but the characters are vibrant and affecting. Till Dec 19 (Manhattan Performing Arts Company, 120 West 28th St, 580 0099).

• The Swan: Elizabeth Egloff's melodramatic and humorous new play about a woman, her married lover and a swan-turned-man, who form a volatile love triangle. Final performances, ends Sun (Public, 425 Lafayette St, 598 7150).

OPERA/DANCE
Metropolitan Opera Luciano Pavarotti sings in tonight's performance of Verdi's *I Lombardi*, repeated Dec 11, 14, 17, 21, Jan 7, 12, 15. Repertory also includes Pavarotti, Rusalka and La bohème.

James Levine conducts a revival of Berio's *Les Troyens* on Dec 16, with a cast led by Frédéric Pollet and Gary Lakes (362 6000).

State Theater New York City Ballet's Christmas show is the Balanchine production of Nutcracker, regarded by many as the finest version ever created. Daily except Mon till Jan 2, with extra matinee performances on Sat and Sun. No performance Dec 24, 25, Jan 1 (870 5570).

CONCERTS

Avery Fisher Hall Kurt Masur conducts the next two weeks of New York Philharmonic Orchestra concerts. Tomorrow: Brahms and Mendelssohn. Thurs, Fri, Sat: world premiere of new Bernard Rands work, plus music by Tchaikovsky and Prokofiev, with piano soloist Yevgeny Kissin. Sun afternoon: Roger Norrington conducts Orchestra of St Luke's and Tanglewood Festival Chorus in Berio's *L'Enfant du Christ*. Sun evening: Richard Tucker Foundation Concert with Birgit Nilsson, Thomas Hampson, Samuel Ramey and other stars (575 5030).

• The Swan: Elizabeth Egloff's melodramatic and humorous new play about a woman, her married lover and a swan-turned-man, who form a volatile love triangle. Final performances, ends Sun (Public, 425 Lafayette St, 598 7150).

PARIS
OPERA/DANCE

Opéra Bastille Final performances of Bob Wilson's *Madama Butterfly* are tonight, Wed and Fri. Offenbach's operetta *Les brigands* can be seen tomorrow and Sat, with a further eight performances this month. Mirella Freni stars in Adriana Lecouvreur, opening Dec 20 (473 1300).

Théâtre des Champs-Elysées Fri:

Frans Brüggen conducts Orchestre des Champs-Elysées in symphonies by Haydn and Beethoven. Sun: Mirella Freni stars in Adriana Lecouvreur, opening Dec 20 (473 1300).

PARIS

OPERA/DANCE

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Théâtre des Champs-Elysées Final performances of Lully's *Rolande* are tomorrow and Wed, with cast led by José van Dam (4952 5050).

Palais Garnier Final performances of Picasso et la Danse, featuring choreographies by Nijinska, Pettit

and copied it and perhaps were responsible for this century's extreme reaction against its complexity and almost pagan splendour.

Mowl concentrates on the grander manifestations of the English Renaissance style and passes quickly over the black and white half timbered architecture - still, I suspect too close to stockbroker Tudor to be studied closely. But he does widen his field to look at silverware and tapestries and draws our attention to one of the richest veins of European sculpture throughout England during this period in the elaborate tombs and church monuments. The sense of allegory and meaning is something we have lost from architecture, our senses irreparably dimmed by modernity. This vigorous and profoundly English book will inspire any reader to look again at this period with pure joy and excitement. There is a gazetteer at the back of the book of King James I in 1625. It is marvelous for the orthodoxy view.

The victim of Mowl's views is Inigo Jones, longer seen as the inspired orderer of English classicism but as "an insidious courtier" who imprisoned the brilliant English imagination in a set of dull rules and petrified the progress of the English Renaissance. The great Elizabethan and Jacobean houses have an aesthetic richness and visual vigour that is unique, but Mowl is right to point out that we have been conditioned to look away from their apparent vulgarity and soothe ourselves in a cool bath of classicism. In fact a house such as Bolsover is as good as any palace in Mantua or Urbino. The truly Shakespearean richness of the architecture of this period has been ignored for too long. The Victorians loved it



Illustration from 'Elizabethan and Jacobean Style' by Timothy Mowl

tradition of hospitality.

This official book tells the

story of the building and furnishing of the house with relentless thoroughness. But it does raise one question. Now that the monarch opens her London Palace to the public, why is the Mansion House not regularly opened when the Lord Mayor is away? For the time being this book is the best informed tour of the house that is available, but it can only be a substitute for the real thing.

Opera/John Allison

An appealing Tosca

The advent of Anna Tomowa-Sintow and Sergey Leiferkus as Tosca and Scarpia in the Royal Opera's umpteenth revival of Puccini's opera on Saturday brought a reminder that we were supposed to be hearing them as Yaroslava and Prince Igor. Or, put another way, they had been engaged to sing in the first revival of Bořislín's *Prince Igor* but Baroness Warlock intervened on behalf of the Arts Council and recommended the substitution of interesting rarities with popular runs. At a time when the Arts Council is preparing to abandon further responsibilities, it was particularly irksome to be reminded of this loss.

But any opportunity to hear Tomowa-Sintow and Leiferkus - both making role debuts at Covent Garden - is always welcome.

The Russian baritone, surely now at his peak, lifted what was already a well-sung performance on to an altogether higher plain: he is a mesmerising actor and every gesture counts. Here his police chief oozed malevolence

and event evaluation. In these hard times companies need to know that the money they invest in the arts brings them tangible returns. Shareholders and employees are suspicious of sponsorships that provide little but the warm glow of disinterested patronage.

The smaller roles were carefully observed.

Mark Beesley made a desperate Angelotti, and Eric Garrett - though prone to some overacting - an amusing Sacristan. None of the performers allowed

Her "Vissi d'arte" had a disarming honesty about it. Alberto Cupido's Cavaradossi is familiar to London audiences. He cuts a credible figure and sings generously: at times, though, pitch and tone got squeezed at the top.

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Time the pessimists ate their hats

One of the hazards of being a reporter, especially a foreign correspondent, is that you have no control over headline writers. In more than three years of reporting on the US economy I have detected a subtle bias. Gripped by Euro-pessimism, the London-based subeditors are reluctant to believe any part of the globe is enjoying a strong recovery.

On Friday I thought I had them finally on the run. A drop in the jobless rate from 6.8 per cent to 6.4 per cent – the biggest in a decade – would surely convince even the sceptics of Number One Southwark Bridge that the US economy was on a roll. By no means. "Big fall in US jobless lifts hopes of robust recovery" was the most that could be squeezed from the still-cautious news desk.

The stark difference in the economic performance of the US and Europe is still not fully appreciated in Britain. America has not been grappling with the worst recession since the 1930s. It had only a mild and brief downturn during the Gulf war. It has since enjoyed 10 consecutive quarters of expansion. The annual rate of growth has averaged 3 per cent in real terms during the last seven quarters and seems likely to reach 4.5 per cent this quarter.

But to be fair to FT headline writers, their perception of events mirrors that of Main Street America. George Bush lost last year's election because he could not convince voters the economy was truly reviving. The problem was that growth was slower than in most previous recoveries, and alarmingly erratic.

With hindsight, nobody should have complained about the last three quarters of 1992, which registered annual growth rates of 2.8 per cent, 3.4 per cent and 5.7 per cent. But then came the payback. The first three quarters of the Clinton presidency saw growth of only 0.8 per cent, 1.9 per cent and 2.7 per cent: miserable by US standards.

The conventional view is that this saw-tooth pattern will continue. Growth will therefore moderate early next year, although not as abruptly as at the beginning of this year. The



MICHAEL PROWSE
on
AMERICA

consumer is expected to retrench because spending has outstripped personal incomes, pushing down the savings rate to 3.7 per cent against an average of 5.3 per cent last year. Factory output, meanwhile, is less robust than it looks because of an unsustainable surge in car production after a weak third quarter. Familiar villains – weak exports and defence cuts – will continue to exert their negative pull.

There is solid logic behind such arguments. But they seem a trifle pessimistic. The economy has worked its way through the financial problems of the late 1980s. Debt ratios are down in both the personal and corporate sectors. Banks are lending again. Commercial property values have stabilised. The barometer is thus now set fair for a more normal expansion.

Monetary policy has been highly stimulative for more than a year. The magnitude of the boost from lower rates, especially on longer-dated securities, should not be underestimated. Rate-sensitive sectors of the economy, such as housing, consumer durables and business investment, are booming. Personal income figures do not allow for big sums released by refinancing mortgages at lower rates and thus underestimate consumers' buying power.

The employment outlook has been quietly transformed. Some 1.5m jobs have been created so far this year, twice the rate in 1992 when the economy grew by 2.9 per cent. This is what lies behind the surge in consumer confidence reported last week – one of the biggest in 25 years.

The rapid growth of this quarter could thus persist well into next year. Indeed, even if

the old saw-tooth pattern repeats itself, two or three quarters of above-trend growth would be more likely than a solitary strong quarter. After producing a stream of over-optimistic forecasts in recent years, US forecasters are on the brink of making the opposite mistake. Now that the constraints on growth have finally been lifted, they are unable to celebrate the dawn.

If that conjures up a picture of an overgrown schoolboy in shorts, think again. Mr Jean-Luc Dehaene, Belgium's pugnacious prime minister, is bluntness, stocky and – in the judgment of both allies and enemies – very tough.

More significantly, Mr Dehaene, 53, will come to the summit on December 10 and 11 as one of the only leaders already trying to implement in his own country a far-reaching austerity plan. The aim is to improve Belgium's competitiveness, promote employment and cut the government deficit. Given that the summit will be seeking solutions to those problems at a European level, Mr Dehaene's role as chairman will be more than honorific.

"The Belgian government's action is explicitly integrated into the European context," Mr Dehaene said last month. "The plan that the government is preparing has to be considered as one component of a co-ordinated European plan, as a contribution to the [European Commission's] white paper [on growth, competitiveness and employment]."

EU leaders had a taste of Mr Dehaene's no-nonsense chairmanship at October's special summit in Brussels, when he helped forge agreement on where to locate the most important new EU institutions, such as the central bank. In spite of an acrimonious row in the afternoon between Britain and Spain over the site for the European medicines agency, Mr Dehaene announced a deal in time for supper.

But this week's summit will have none of the celebratory overtones of the October meeting, which was called in part to mark the entry into force of the Maastricht treaty. It will tackle issues that go to the heart of political differences between European leaders. Finance ministers gave a flavour of what could be in store in their first discussion of the Commission's thoughts on the white paper two weeks ago. The UK and Germany forced Brussels to water down guidelines for boosting economic growth and halting the rise in unemployment, and other ministers picked holes in the white paper.

Under such circumstances, Mr Dehaene's experience in wringing compromise out of feuding parties, regions and

linguistic groups in Belgium should stand him in good stead. "He's a typical Belgian type of negotiator. These people are used to hammering out compromises and never giving in," said one EU diplomat. "I think we've already experienced under the Belgian presidency more late-night sessions than ever before."

At the same time, the recent talks on a national austerity plan have made the Belgian prime minister painfully aware of what will be at stake at the December summit.

Mr Dehaene originally hoped Belgium could climb out of recession with the help of a "social pact", which would unite unions, employers and the centre-left coalition government around a balanced series of measures.

As it was, within 36 hours of the start of formal three-way negotiations at the end of October, the socialist unions had walked out. In the next three weeks, he formulated a plan with the socialist and Christian Democrat members of the coalition.

Under the plan – the most ambitious since the war – real wage increases will be frozen for the next three years, spending on family allowances,

Be prepared – and be armed

Patching over differences at the EU summit will test the Belgian prime minister, says Andrew Hill



A good hand: Jean-Luc Dehaene, Belgium's pugnacious PM, who will chair the Brussels summit

healthcare and pensions cut by Bf750m (£140m), the cost of hiring labour reduced, and certain indirect taxes increased.

But the unions will not let the prime minister forget that he forged a deal without them. Union federations aligned with the coalition parties have carried out rolling strike action to protest against parts of the plan, in particular cuts in

Mr Dehaene needs his negotiating skills more than his bulldozing capacity

social security and what they consider inadequate provisions for improving employment. A general strike 10 days ago caused chaos, and the socialist unions are planning a large demonstration to coincide with the summit.

Meanwhile, the government is short on popular support. An opinion poll published a fortnight ago indicated that nearly three-quarters of Belgians wanted the government to resign. As one Belgian newspaper put it: "Le plan

Dehaene séduit la bourgeoisie mais déprime la rue" (Dehaene's plan charms the stock market but depresses the streets).

Economists are already warning that, if the government backs down or breaks up under such pressure, the limited short-term benefits of the plan's announcement (a stronger Belgian franc, lower interest rates, rising equities) will be quickly lost, and the long-term economic consequences could be catastrophic, with the country's budget deficit spiralling out of control.

Mr Dehaene has won the support of parliament for a fast-track procedure to transform the plan into formal legislation, but he is still trying to placate unions and employers, and this week begins a further round of talks with the various sides on possible adjustments to the programme. Interviewed yesterday on Belgian television, he said changes would affect the execution of the plan, and not the balance of measures. His advisers hope these amendments will be enough to mollify the plan's opponents without disillusioning those economists and outside investors who originally welcomed the programme.

But at the same time, the Belgian presidency has indicated that it will aim to strengthen the Commission's growth plans, not dilute them. Given that the Belgian government is already taking the heat at home for its proposals, that is not surprising. Mr Dehaene believes the Belgian austerity programme will make an important contribution to a European plan, but he also sees Belgium benefiting from a co-ordinated European growth and competitiveness policy leading to monetary union.

As Mr Dehaene says, Belgium is "a little Europe", it is emitting mixed signals to other EU leaders still agonising over budget cuts. When he opens the summit on Friday, Mr Dehaene will almost certainly have to explain away demonstrating workers on the streets outside the conference chamber, play down the consequent unpopularity of his coalition, and provide evidence of his government's will to implement all of the austerity plan.

But he will also be armed, unlike many of his counterparts, with concrete evidence of how his country is trying to confront the larger problems facing the Union. Like all good scouts, he will be prepared.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution.

Railtrack asset base must be written off

From Prof W P Bradshaw

Sir, How right Bob Horton, chairman of Railtrack, is to try to establish sensible financial objectives before he takes over ("Railtrack delays pricing after row with Treasury", November 30). Previous chairmen of BR have accepted, without proper consideration, an impossible financial remit and found themselves taking the blame for inevitable failure.

It is absolute nonsense for the Treasury to argue for replacement cost as a basis for the valuation of railway track and other infrastructure assets.

Britain's railways mainly carry subsidised passenger trains which do not even cover their direct operational costs. No asset value is ascribed to the road network with which the railways compete, neither is a rate of return set for roads. Many main lines are so dilapidated that they represent not an asset in Railtrack's books but a liability.

Add to this the vast collection of Victorian architecture where, for example, the property income at a station like Paddington is entirely absorbed in the cost of repairing Brunel's roof.

If government is really serious about attracting more

freight and passengers to the railways, eventually privatising Railtrack and stimulating private sector interest in bidding to operate franchises or

finance new rolling stock

there is a strong case for writing off the whole asset base of Railtrack. A £5bn asset base is far too high. A rate of return of 5 per cent might be sought on new commercial investment where franchisees could afford to pay, but such a return will be unachievable for most at the expenditure on the social railway, and for the maintenance of listed buildings and environmental work.

If government is squeamish about writing off debt it needs only remind itself of other privatisations where this has been necessary. Japanese railroads, far busier than ours, needed massive debt write-offs in the run-up to what appears to be a successful privatisation.

It is a prerequisite of the market investing in franchises, or the building of new rolling stock for lease, that Railtrack is not dependent upon a vast annual subsidy, either direct or indirect. This is because such investors will always believe that the subsidy to Railtrack will be cut, leaving other railway associated businesses vulnerable. Bob Horton has the right target in his sights. If he doesn't win this battle with the Treasury, he would be better off going now.

Bill Brashaw,
Centre for Socio-Legal Studies,
Wolfson College,
Linton Road, Oxford OX2 6UD

Training must match best international standards

From Mr K J Jones

Sir, It is good to see as David Goodhart says ("Training moves up the political agenda", December 2), that training is moving up the political agenda. In engineering we welcome this renewed interest

and we at Entra – the Engineering Training Authority – together with our colleagues at the Engineering Employers' Federation, have responded enthusiastically to employment secretary David Hunt's approach. We are looking forward to the more detailed consultative process which will ensure that the initiative is much more significant than just a new vocational training wheeze.

There is, however, one matter on which we should not be misled. There was a sharp decline in the number of apprenticeships in the early 1980s, but this was not only due to the abolition of most of

the industry training boards. The Engineering Industry Training Board, our predecessor, was only abolished in July 1991 and the Construction Industry Training Board still retains its statutory role.

The reform of vocational training is universally seen as a key to the nation's economic success. We need to ensure that the quality and the quantity of training undertaken match the best in international standards. We shall only do that if we can win the commitment and support of both employers and individuals.

We shall not be helped if we do not address the other reasons for the slump of apprenticeship training in the 1980s.

K J Jones,
chief executive,
Entra,
Victor House,
41 Clarence Road,
Watford,
Herts WD1 1HS

No offer made to arbitrate

From Sir Alastair Morton

Sir, You report me as being prompted... to offer my services as an arbitrator between the two sides – Railtrack and BR – of dispute about the value of Britain's rail infrastructure ("Railtrack delays pricing after row with Treasury", November 30).

Please be informed I am not involved in the dispute and

have not offered my services in any capacity. Like the rest of the nation, I wait to learn just how this Railtrack-based franchising farrago is going to work.

Alastair Morton,
chief executive,
Eurotunnel,
Victoria Plaza,
111 Buckingham Palace Road,
London SW1W 0ST

Taxation: an anachronistic argument and a proposed reform

From Mr Geoff Mulgan

Sir, John Plender's interesting article on taxation ("Revolutionary forces which will destroy income tax", November 27) unfortunately repeated the anachronistic Treasury argument against hypothecation: namely that if taxes are earmarked, spending oscillates in line with the economic cycle rather than with need. In an era of financial sophistication there is no more reason why this should be the case for an earmarked tax than for government revenues as a whole, or indeed for businesses. Any half-way competent chief executive of the National Health Service receiving an earmarked tranche of income tax would naturally plan spending

and investment to take account of the business cycle rather than being a slave to the rigidities of the annual budget.

There are good arguments against hypothecation but, like the oft-repeated claim that because few people fully understand the uses of national insurance payments today they could in no way grasp a more transparent and earmarked tax system, this is not one of them.

Geoff Mulgan,
director,
Demos,
9 Bridewell Place,
London EC4V 6AP

From Dr J Toporowski

Sir, John Plender's article is

an interesting outline of Britain's fiscal crisis. However, among potential solutions to that crisis, Mr Plender omitted to mention a reform that was widely canvassed by Michael Kalecki during the late 1930s and early 1940s, while he was working with Keynes at Cambridge and subsequently, at Oxford. In brief, he proposed a tax on the capital of companies, with generous allowances for fixed capital investment. This has two important advantages over the present system of corporate taxation, which taxes profits, with allowances for investment.

Second, of all, the present system destabilises government finances because corporate tax revenue falls, with profits, in a recession when unemployment-related government expenditure rises. By contrast, a capital tax with investment allowances would increase government revenue in a recession because of the decline in investment at such times.

Second, a capital tax with investment allowances would give companies a strong incentive to invest in a recession. This encourages a sounder, investment-led recovery. In the long term, it would tend to place the economy on a more stable growth path than the existing stop-go policies.

J Toporowski,
reader in economics,
South Bank University,
106 Borough Road,
London SE1 9AA

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

The theme for the 1994 prize, worth not less than £3,000, is:
CAN THE DEVELOPING WORLD BECOME RICHER
WITHOUT THE DEVELOPED WORLD BECOMING UNEMPLOYED?

Applicants, aged over 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further. Please argue your case from the viewpoint of a particular country or industry.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

CLOSING DATE JANUARY 7 1994

APPLICATIONS TO:

ROBIN PAULEY, DEPUTY MANAGING EDITOR
THE FINANCIAL TIMES (FT)
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FINANCIAL TIMES

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Monday December 6 1993

Next step for Renault-Volvo

Volvo and Renault are like two lovers who cancelled their wedding on the eve of the ceremony. Now they have to pick up the pieces of their broken relationship and see what can be salvaged. This will not be easy. There are bruised feelings on both sides. Jaded Renault doubts whether it can trust its Swedish partner. Volvo, on the other hand, is still fearful of being swamped by the French state-owned company.

But the future need not be as dire as predicted by Mr Peter Gyllehammar, Volvo's ex-chairman and the driving force behind the failed union. In his resignation statement last week, he said the existing alliance between the two companies would certainly be dismantled.

Sensibly, both Mr Louis Schweitzer, Renault's chairman, and Mr Soren Gyl, Volvo's chief executive, have avoided such catastrophic talk. Both say they wish to keep the alliance, which consists of a network of cross-shareholders and joint projects, alive. The French government also says it continues to believe a full merger is desirable, while some Swedish shareholders who opposed the union do not rule out the possibility of it being revived at a later date.

The current priority is to cool passions and to take a hard look at what is in the best interests of both companies. That is also essential if the French and Swedish establishments are to learn the wider lesson from the break-up: the importance of keeping politics out of business.

On the French side, this means understanding the legitimacy of Swedish concerns about merging with Renault while it is still state-

owned. Until Renault is privatised, it is impossible for Volvo shareholders to know whether they are being offered fair value for their shares. The French government's insistence on maintaining a golden share in Renault also raises concerns that political interference would continue even after privatisation.

In the coming years, other state-owned or privatised companies will wish to form international alliances or mergers. If such arrangements are to flourish, Paris will need to convince outsiders that the days of political interference are over.

In Sweden, there is a similar need to disentangle politics from business. Legitimate concerns over the financial side of the deal were swept up in a wider debate about Sweden's future in Europe.

Volvo may now be tempted to think that it can go it alone or that its alliance with Renault can continue indefinitely as it is. This is self-delusion. Without a partner to share research and development costs and to gain economies of scale, Volvo's car division has a bleak future. The same goes for Renault's truck operations. But without trust and a shared sense of direction, no alliance can prosper.

The only practical alternatives are a complete divorce, which would free both companies to seek other partners, or a renewed effort at matrimony. After last week's dramatic events, it is hard to believe that marriage is still an option. It certainly could not be contemplated until after Renault's privatisation.

But, if both parties could keep politics out of business, a union would remain the best way forward.

India's chance

Mr P.V. Narasimha Rao, India's prime minister, did not win a resounding vote of confidence in six recent state elections. But his main opposition, the Bharatiya Janata Party, fared even worse. Voters' broad rejection of the BJP's Hindu militancy appears to shore up the Congress government. It now has an opportunity to press on with the economic reform programme, its main, though incomplete, achievement.

Younger companies and business people in Bombay revel in the freedom created by the end of industrial licensing and the liberalisation of trade, investment and foreign exchange. With bureaucratic obstacles reduced, there is no longer a need to shuttle constantly to Delhi, seeking licences. Foreign investors too have been gaining confidence that there has been a true change of direction.

Yet reform has still not delivered rapid growth of exports or the economy. Industrialists who once enjoyed cosy markets are complaining that they do not have a "level playing field" against foreign entrants, forgetting that the previous tilt in their favour prevented them from gaining the technological and managerial skills they needed. Mr Rao should encourage pro-reform voices to argue that Indian business needs less protection, not more, if it is to compete with China and other dynamic economies to the east.

Mr Manmohan Singh, the finance minister and architect of the reforms, needs strong support as he prepares for the budget in February. Since electoral considerations will begin to obtrude by 1995, this will be his best opportunity to make significant progress. However, his ability to do so is limited by political constraints. The determination of the Congress party to alter the way India is run - with big government and extensive patronage - will be measured by its willingness to reform and shrink the public sector, to allow companies to shed redundant labour forces and to stop banks making cheap farm loans they do not expect to recover.

Mr Singh can be expected to proceed with what he has begun. He will cut subsidies and raise administered prices (a process made more urgent by the damage which the state elections have been allowed to do to the budget deficit). He will also cut tariffs and proceed with the tax reforms designed to compensate for a fall in customs duties. He will probably allow greater private and foreign participation in financial services and in the development of infrastructure.

All such measures should be applauded, but the government will eventually have to address the broader and more demanding reform agenda, which will mean taking head on the powerful vested interests which stand in the way. There is no alternative if the country is to compete with its east Asian neighbours.

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Mr Manmohan Singh, the finance minister and architect of

Joyce 15/20



Any company which earns nearly half a billion pounds in six months is keen to trumpet the fact. But when Nuclear Electric unveiled interim profits of £477m last week, it was also sending a clear message to its owner, the British government: "Privatise us." The next few months will tell whether that message got through.

Any day now the government will launch a much-awaited review of the UK nuclear power industry. Although the terms of reference have still to be announced, the outcome is bound to determine whether nuclear power faces a future of growth or whether it will be condemned to decline and ultimately extinction. Nuclear Electric, the largest component of the industry with 11 nuclear stations in England and Wales, is eager to prove that nuclear power is not only necessary to the country's energy supply but able to stand on its own commercial feet.

It will be no easy task. The industry's troubled history, its unfulfilled promises of boundless cheap electricity, its appetite for state support and costly technologies, its unfavourable public image, will all have to be overcome if the review is to have a positive outcome. Doubts about nuclear power exist not only in the mind of the general public, but also among the City of London financial community which forced the government to drop nuclear power from its electricity privatisation programme only four years ago.

The scepticism is not unique to Britain. Since the Chernobyl nuclear disaster in 1986 only two big industrialised countries have stuck to a policy of expanding nuclear capacity: Japan and France. Many others, including the US, Italy and Sweden, have moratoria or outright bans on new nuclear plants.

Although disappointments with nuclear power have instilled wariness in the UK government, it does not, like other countries, have any outright objections to it. However, ministers have made clear that any development must be capable of being funded by the private sector.

"It cannot be assumed that the government will provide the finance for new [nuclear] capacity in the future," said Mr Tim Eggar, energy minister, in a recent speech to trade unionists. "In the context of an extremely tough spending round, why should the taxpayer be willing to fund new nuclear stations costing several billions, when this money could fund hospitals, schools or policemen on the beat?"

The industry knows that economic viability will be the central question in the review, and it has already taken steps to deal with it. Since the aborted privatisation, Nuclear Electric and Scottish Nuclear, its cousin north of the border with two power stations, have undertaken a vigorous campaign to reduce costs and cut staff. Nuclear Electric has managed to raise its share of the electricity market in England and Wales over that period from 16 per cent to almost 26 per cent. This sharp improvement has been largely due to its success in overcoming technical difficulties with its five advanced gas-cooled reactor stations that were built in the 1970s. Scottish Nuclear has achieved a 20 per cent increase in output while cutting the cost of its product by 10 per cent through improved efficiency.

Nuclear Electric has also brought in private sector blood, including Dr Robert Hawley, its chief executive who last year moved over from Northern Engineering Industries, part of Rolls-Royce, and is keen to escape from the governmental leash. Nuclear Electric's confidence in its ability to succeed has been largely due to its success in overcoming technical difficulties with its five advanced gas-cooled reactor stations that were built in the 1970s. Scottish Nuclear has achieved a 20 per cent increase in output while cutting the cost of its product by 10 per cent through improved efficiency.

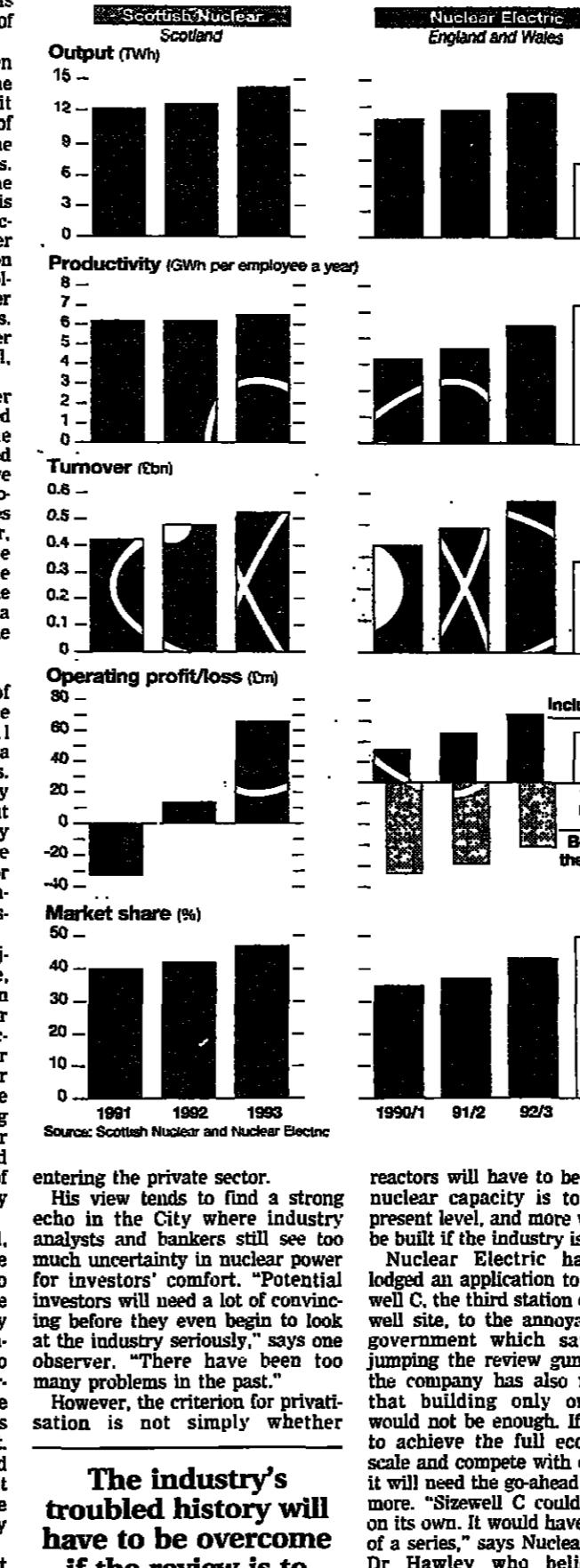
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Nuclear Electric is commercial. Equally important is whether it can look forward to a future of growth, and a rising stream of dividends to attract investors. This raises the more publicly controversial question of whether Britain should build new nuclear power stations.

At the moment, only one station is being built: Sizewell B in Suffolk which is due to start up next year. But over the next decade the six remaining first-generation Magnox

reactors will have to be replaced if the industry is to find a strong echo in the City where industry analysts and bankers still see too much uncertainty in nuclear power for investors' comfort. "Potential investors will need a lot of convincing before they even begin to look at the industry seriously," says Mr Hawley. "There have been too many problems in the past."

UK nuclear industry: under the spotlight



reactors will have to be replaced if the industry is to find a strong echo in the City where industry analysts and bankers still see too much uncertainty in nuclear power for investors' comfort.

Nuclear Electric has already lodged an application to build Sizewell C, the third station on the Sizewell site, to the annoyance of the government which saw this as jumping the review gun. However, the company has also made clear that building only one station would not be enough. If nuclear is to achieve the full economies of scale and compete with other fuels, it will need the go-ahead for several more. "Sizewell C could not stand on its own. It would have to be part of a series," says Nuclear Electric's Dr Hawley who believes that nuclear needs a sustained 20-30 per cent share of the electricity market to realise its full potential.

There are no simple answers for the government in the forthcoming review, and ministers will have to follow a complex line of arguments. Does Britain need more nuclear power? If the answer is yes but the government declines to pay for it, the job would have to go to the private sector. But would the public be prepared to accept the expansion of nuclear capacity that would be necessary to make it viable?

There must be strong doubts about all these questions. However, the government might decide that the national interest warranted special action of some kind. Ministers could, for example, take the Magnox stations off Nuclear Electric's hands and free it to enter the private sector unburdened by past liabilities. Or if they attached value to nuclear's environmental case, they could help by treating some of its decommissioning expenses as a social cost to be charged to the taxpayer. In other words the government could underwrite the liabilities.

But Mr John Baker, who argued the case for Sizewell B when at the Central Electricity Generating Board and is now chief executive of the National Power generating company, says such an outcome would need a significant change of attitude by ministers. "The government has always had rules that if you carry the liabilities you take the assets as well. Privatisation is for the birds unless the government changes the rules."

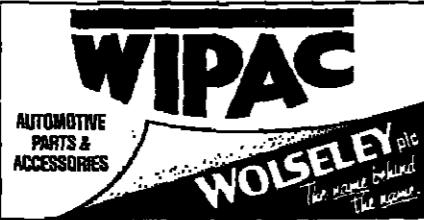
This is the first in a series of articles on nuclear power and the UK government's nuclear review

OBSERVER



non-executive chairman from Sir Anthony.

But Giordano is off to British Gas on January 1, so he will not have a lot of time left to help Lucas, where the new chief executive is struggling to stay on top of Lucas is going to take even longer.



FINANCIAL TIMES

Monday December 6 1993



'Brussels bonds' will help to finance Ecu124bn public works projects

Brussels approves spending plan

By Lionel Barber in Brussels

The European Commission yesterday approved spending nearly Ecu124bn (\$141.36bn) on public works programmes over the next six years, including a new plan for 'Brussels bonds' to help to finance the projects.

Mr Jacques Delors, the Commission president, will present the plans to the European summit on Friday as part of his white paper on employment and growth, in spite of reservations expressed by European finance ministers meeting in Brussels last night.

Several ministers complained that Mr Delors had failed to produce a copy of the white paper, while German officials expressed opposition to the notion of new public borrowing to support

infrastructure spending. "It goes against our policy of budgetary discipline," one Bonn official said.

However, Mr Edmond Alphandary, the French finance minister, offered support for the idea of additional finance to cover extensive road, rail, telecommunications and environmental projects.

It was not clear how finance ministers intend to integrate Mr Delors' own non-binding white paper with the legally binding watered-down version of the macro-economic guidelines for the European Union that were being debated last night.

One official spoke of a "power struggle" between the Commission and the finance ministers, who tend to look more to national rather than pan-European interests.

The Commission said yesterday

that only Ecu7bn of the proposed annual spending of Ecu22.6bn was new money. The rest has already been earmarked in the budgetary guidelines approved at last December's European summit in Edinburgh, or through the European Investment Bank.

The Commission has identified various trans-European network projects costing about Ecu12.5bn.

At yesterday's special session of the Commission, some members were said to have criticised selective aspects of the white paper, which calls for reforms in the labour market to make it easier to hire people, an effective freeze on wages and budget discipline. At Mr Delors' request, it includes a loose commitment to creating 15m new jobs by the end of the decade.

Several EU delegations com-

plained about the lack of co-ordination between Mr Delors' own white paper and the watered-down version of EU macro-economic guidelines. The latest guidelines include a strong commitment to price stability, with inflation ranging from 2 per cent to 3 per cent, a minimum commitment to the timetable for a single European currency by the end of the decade, and a general reference that interest rates could fall in Europe on condition that national economies are put on a sound footing.

Editorial Comment, Page 13
Delors unlikely to have the last word on EU jobs. Page 2
Belgium's prime minister will face a hard task in patching over differences at the EU summit. Page 12

BR counters new Tunnel delay fears

By Andrew Baxter

British Rail moved swiftly yesterday to counter fears of further delays to its high-profile Eurostar passenger services through the Channel Tunnel after revealing an embarrassing technical problem on the British end of the route.

The Eurostar prototype, which is being tested on the 70-mile stretch between London and Folkestone, has been unable to cope with occasional gaps in the third rail next to the track, from which trains in the London area pick up their power.

The onboard computer

switches off the engine and turns signals to red when it passes over gaps in the third rail at level crossings or points.

In a statement yesterday European Passenger Services, the BR subsidiary that will run services through the tunnel, said: "The test programme of the Eurostar prototype has revealed an interference phenomenon involving track circuits on parts of the route to the Channel Tunnel.

"A programme of modification to the affected track circuit equipment has been developed and the implementation timetable allows completion of the work in time for Eurostar ser-

vices to start next summer."

Freight services through the Channel Tunnel begin next March, with "Le Shuttle" tourist services expected to start two months later around the official inauguration on May 6.

Separate Eurostar services of through-trains from London to Paris and Brussels had already been delayed until late summer because of delays in delivering the trains and technical problems with the trains' onboard computers.

No date has yet been fixed for services to start, and introduction of Eurostar trains - which are integrated units of powered

carriages as opposed to being drawn by a locomotive - will depend on the results of further testing.

Although the latest problem is not expected to cause more delays, it is bound to prompt further criticism of the government for blocking construction of a dedicated high-speed link for the tunnel opening. The controversial link through Kent and East London is due to open in 2001.

A consortium led by GEC Alsthom, the Anglo-French engineering group, is building 38 Eurostar trains at a cost of £24m each.

42nd Street regeneration plan has a desire named streetcar

By Richard Tompkins in New York

New York's 42nd Street may see a return of the streetcars that disappeared half a century ago. The city has started public consultations on a \$75m regeneration scheme including building a 2.2-mile line running the length of the street from one side of Manhattan island to the other.

Years ago the street was famous for the shows that put it at the heart of New York's night life, but now much of it is run-down and sleazy, and lined with pornography shops.

The 1883 film musical, in which the leading lady in a Broadway show is indisposed and a chorus becomes a star, made the street famous around the world.

The 42nd Street Development Corporation, a non-profit-making group that has been working with the city to restore the street to its former glory, believes the tram line might play an important part in improving the street's image.

New York's Department of Transportation is backing the scheme because it believes the trams would provide an attrac-



An artist's impression of the proposed 42nd Street tram

tive and environmentally friendly means of shifting the many people who travel along 42nd Street each day.

The Port Authority Bus Terminal and Grand Central Station lie along the route. At present most people use buses or the subway.

The tracks would occupy the southern side of the carriageway

and the street would become a one-way route for road traffic.

The city planners believe the project will be self-financing and can be built by the private sector at no cost to the taxpayer. Four consortiums have pre-qualified for the competition to design, build, operate and maintain the line. The trams may start running in 1998.

The Greens received an estimated 6 per cent of the vote, the same as in the federal elections.

If the exit poll is reflected throughout the night's counting, in which 58 per cent of the 1.9m eligible voters turned out, then Mr Kohl will have been spared a far worse result.

However, Mr Thomas Klein, general secretary of the CDU in Brandenburg, last night said the scandal in Saxony-Anhalt, which involved west German ministers receiving excessive salaries, "was a big problem".

Brandenburg has traditionally had a strong socialist and communist base.

Brandenburg's governing Social Democrats, led by Mr Manfred Stolpe, an easterner, held on to its broad base of support in spite of high unemployment. It was estimated to have received nearly 36 per cent of the vote, just 2 points less than it received in the state elections and 3.1 points more than the federal elections.

The Greens received an estimated 6 per cent of the vote, the same as in the federal elections.

If the exit poll is reflected throughout the night's counting, in which 58 per cent of the 1.9m eligible voters turned out, then Mr Kohl will have been spared a far worse result.

However, Mr Thomas Klein, general secretary of the CDU in Brandenburg, last night said the scandal in Saxony-Anhalt, which involved west German ministers receiving excessive salaries, "was a big problem".

Brandenburg has traditionally had a strong socialist and communist base.

Credito Italiano

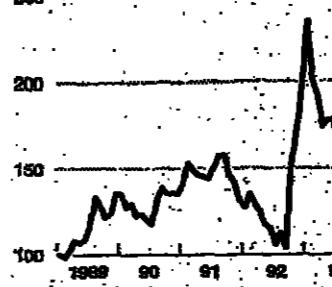
Those expecting bargain-basement prices from Italy's privatisation process are in for a disappointment. The 3.6 per cent discount at which shares in Credito Italiano have been priced is markedly less generous than offered by France for the sale of BNP. It can only be assumed the discount reflects confidence in the strength of international demand. Credito's shares have already fallen by 30 per cent from the peak reached in January.

The recent fall of the Milan market and the fluid political situation are reminders of the risks. An orderly restructuring of Ferruzzi, which now looks likely, will help settle nerves. With around L1.00bn caught up in

offtake, the market's

share price relative to Milan BCI Index

250



Source: FT Graphs

the restructuring net - and twice that amount lent to the sprawling empire as a whole - Credito is worryingly exposed.

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Monday December 6, 1993

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Discount offered to boost Credito Italiano sell-off

By Robert Graham in Rome

The Italian government is to offer a substantial discount on the shares of Credito Italiano, the country's seventh-largest bank, to launch a substantial programme of privatising industrial and financial assets over the next two years.

Today, IRI, the state holding company, will be offering its controlling 64 per cent stake in Credito to institutional and private investors at £2.075 (\$1.24) per ordinary share. This is a discount of 9.6 per cent on Friday's close of £2.295 but considerably more on the previous six month's average price of £2.455.

The discount is further sweetened by a bonus share offer. Credito is promising a £10 bonus (with a ceiling of 1,500 new shares) to all those who take up this week's offer and retain their shares for three years.

IRI is offering 17 per cent of

savings shares at £1.707. With the payment of £1.60 per share these can be converted into ordinary shares. The whole operation is expected to raise £1.830bn towards relieving IRI's financial problems.

Bank officials predicted on Saturday, when the pricing decision was unveiled, the shares would be oversubscribed between five and six times. Among the around 400 foreign institutions contacted, several said they would bid for the maximum 2 per cent permitted.

Mr Romano Prodi, head of IRI, said the pricing policy had been based on the advice of Goldman Sachs, global coordinator for the Credito privatisation. The valuation had been carried out by J.P. Morgan.

"The sale of Credito will change the history of our country: the state will no longer be the owner of Italy's biggest bank," he said.

"This will accelerate the cre-

ation of a proper economic democracy in Italy." Credito is one of three leading financial institutions controlled by IRI, while over all, the state still controls almost two-thirds of the banking sector.

Mr Giuseppe Bruno, Credito's chief executive, said the bank was hoping to pick up 100,000 new shareholders as a result of the privatisation.

Bank employees are being offered saving shares at £1.707 each. The minimum purchase has been fixed at 2,500 shares.

Private Italian savers are expected to be allocated at least 40 per cent of the shares.

Over the weekend, Italian analysts were quoted as being satisfied with the pricing. They said the market had been expecting a figure between £2.00 and £2.10. However, foreign brokers said they felt the government might have discounted further to underwrite a successful first public offer of state assets.

Goldman Sachs partners to get \$5m profit share

By Norma Cohen and
Patrick Harverson

Partners of Goldman Sachs, the US-based global investment bank, will all receive a minimum profit share of \$5m this year, according to a handout.

The record profit shares - which are added to each partner's capital account at the firm and can only be withdrawn at retirement - reflect the dramatic leap in Goldman's profitability this year.

The Canadian Bond Rating Service estimates that Goldman made \$2.3m pre-tax profits in the first three quarters of 1993, up from just \$940m in the same period the year before. As a result, even the most junior partner will receive \$5m and those further up the list will receive far more.

The 161 partners, of which 26 are based in London, can with-

draw their capital from the firm over a phased period after they retire or quit. While they remain at the firm, they can receive interest at a fixed rate on their capital.

Separately, it emerged that 70 Goldman executives working in the London office - including the 26 partners - would receive total remuneration this year in excess of \$1m, making it one of the most generous UK payers. London-based employees below the level of partner were recently told they would receive annual bonuses equal to at least 30 per cent of basic salary.

The big increase in earnings and bonuses at Goldman is the latest evidence that the long boom in profits on Wall Street shows no sign of slowing down. For the past three years, US securities houses and investment banks have earned record profits, thanks primarily to extremely low interest rates in the US and overseas.

Low interest rates have boosted stock and bond prices to record highs, spurred unprecedented demand from institutions and individuals for stockbroking services, and persuaded thousands of companies to raise funds by issuing debt and equity on the US capital markets, which has generated huge underwriting fees for Wall Street.

Like many of its competitors, a significant portion of Goldman's profits have come from its proprietary trading activities, in which the firm uses large amounts of its own capital to bet on the short- and long-term direction of securities, currencies and interest rates. Goldman's need for capital to conduct proprietary trading explains why the firm cannot allow its partners to withdraw profit shares in cash.

This week: Company news

DEUTSCHE BANK

No apologies for defying the recession

Tomorrow Deutsche Bank will round off what has been a resplendent interim results season for the big German banks.

As the 10-month figures from Dresdner Bank, Commerzbank and Bayerische Hypotheken- und Wechsel-Bank have shown in the past two weeks, and from Bayerische Vereinsbank today, 1993 is set to be a record year for the German banks.

Deutsche Bank, the largest of them, with profits that tend to be as big as those of the next three competitors put together, is unlikely to have escaped this benevolent trend.

It is thus likely that Mr Hilmar Kupper, chief executive, will find himself in the same position as Mr Jürgen Sarasin, his opposite number at Dresdner Bank, who last week defended the German banking sector's right to make profits in the recession. Mr Sarasin said that a final financial sector would push the economy even deeper into crisis.

As at the other banks, the main impetus for growth at Deutsche is likely to come from buoyant securities trading. Strong equity, bond and derivatives markets have pushed up income from own-account trading and generated handsome commissions from dealing on others' behalf.

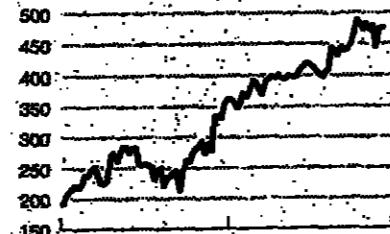
On top of that, income from the mainstream lending business has hardly died away, as loan demand has held up despite the recession - especially at the longer end where interest rates are near post-war lows.

These factors mean that the banks are well insulated from the effects of mounting credit risks.

Mr Ian McEwan, banking analyst at Merrill Lynch in London, predicts that Deutsche will report operating profits up a vigorous 16 per cent to DM4.39bn, after provisions against bad and doubtful debts. The comparison is against 10 twelfths of 1992 profits, as is usual for German banks.

Granada Group

Share price (pence)



GRANADA Takeover watchers hold their breath

Whatever the circumstances, the full-year results of Granada, the UK leisure, television and computer services group, are bound to be interesting on Wednesday.

Of course investors are keen to find out whether Mr Gerry Robinson, the chief executive who produced a 125 per cent increase in pre-tax profits to £130m last time can again work a little magic. There is also the question of how well the £250m acquisition of Sutcliffe, the contrarian caterer, is doing.

On this occasion, however, all minds will be concentrating not on the dividend or the prospective p/e, but on when Granada is going down the takeover trail blazed by Carlton Communications last week in its agreed bid for Central. For most observers it is only a matter of when rather than whether Granada goes for London Weekend Television, in which it already holds 20 per cent.

Gerry Robinson seems to be holding off for two reasons - the high price of LWT and reluctance to upset the government by mounting a hostile bid before parliament has had its say on the rule change. Wednesday could therefore be a most interesting day. By coincidence the results are coming out on the very date that the resolution to change the ITV ownership rules is due to be debated by MPs.

OTHER COMPANIES Paramount bid at legal milestone

The takeover battle for Paramount Communications reaches a potentially crucial milestone on Thursday when the Supreme Court of the state of Delaware hears an appeal by Paramount against a lower court ruling which levelled the playing field between rival bidders QVC Network and Viacom.

The lower court blocked a friendly \$9.5bn takeover of Paramount by Viacom, saying that the Paramount board had acted wrongly in not seriously considering a hostile \$10.5bn QVC offer and in negotiating a "lock up" agreement with Viacom which financially penalised rival bidders.

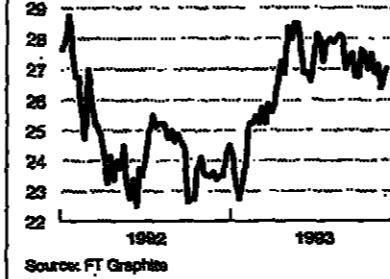
■ Scottish & Newcastle: First-half results from the UK brewing and leisure group, due today, are expected to be slightly ahead at about £108m. Lower brewing profits are forecast, reflecting the fierce competition in the free trade and take-home market. Pub profits, however, should be boosted by increased food sales.

■ Royal Bank of Canada: the country's biggest financial institution, is expected to announce a fourth-quarter loss of about C\$425m on Tuesday. Besides setting aside extra provisions for sour loans, the bank will be hit by C\$430m in restructuring charges stemming from its recent acquisition of Royal Trust and the streamlining of its own operations. RBC plans to shrink its workforce by about 8 per cent, eliminating 4,100 jobs.

■ CS Holding: The rosy state of Swiss banking is likely to be confirmed by

Royal Bank of Canada

Share price (Cents)



Rainer Gut, chairman of CS Holding, when the financial services group built around Credit Suisse seeks shareholder approval at an EGM on Tuesday for its plan to buy up all the shares of Leu Holding, a Zurich private bank.

■ Siebe: The controls and engineering group is expected on Tuesday to report an increase in interim pre-tax profits from £20.3m to more than £30m. Interest will focus on Eckardt, the German business it bought last month, and the pace of recovery in international markets - particularly the US, where the white goods sector seems to be picking up.

■ Pilkington: High operational gearing in the glass-making business makes forecasting difficult and pre-tax profit estimates, for the six months to September, range from a small increase to a doubling. Better profits in the UK and US will be partly offset by declines in continental Europe. Pilkington, which reports on Thursday, is expected to rebalance its dividend to leave the annual total unchanged.

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Technicians lay cables in Wiltshire to pipe television and telephone services into homes: The UK allows these new networks to compete with British Telecom but the EU has only sanctioned telephone competition over existing public networks.

an increasingly vigorous market to challenge operators in their home countries and provide cross-border services to transnational companies.

The industry believes alliances are developing for the complex hybrids, particularly in Europe with its patchwork of medium-sized and small operators. Three spectacular alliances already exist: BT has teamed up with the US operator MCI; Unisource brings together the Swedish, Swiss and Dutch state operators, with the Spanish joining as a kind of associate member last week; and Sunetcom will link France Telecom and Deutsche Telekom. AT&T is also looking for a European partner.

How close should the alliances be allowed to become - particularly those between the larger operators? And who should police them? The EU has no equivalent of the US Federal Communications Commission. If the French and Germans are allowed to team up, say the critics, their governments, nervous about competition, are unlikely to strive hard for open access to their home market, while the EU will find itself in a weak position to monitor their activities.

■ Convergence. Meanwhile, the worlds of telecommunications, computing, and entertainment are rapidly converging. Three spectacular alliances in the US - AT&T with McCaw, US West with Time Warner, Bell Atlantic with TCI - have been formed in the past six months alone, while BT proclaims itself anxious to join the same game if UK regulatory hurdles are lifted.

From this perspective, the Franco-German alliance might be seen as a conservative, almost irrelevant step in the global telecommunications industry. Constructing bigger telephone and data networks may matter less than developing innovative multi-media services to carry over.

Perhaps, but for the European Commission grappling with the Franco-German alliance, today's world will be challenging enough. And that means developing an open, coherent structure for competition - whether in 1998 or before.

In an outspoken attack on the European Commission, Mr Vallance will call on it to abandon attempts at tight "utility-style" regulation and instead produce early proposals to allow competing networks to be built on the continent.

So far, the Commission has only agreed to allow competition over existing public networks, and delayed its introduction until 1998.

Describing the UK as the "test bed" for the new age of competing multi-media services, Mr Vallance will step up BT's complaints that overseas operators, particularly the US regional Bell companies building cable and mobile networks in the UK, are free to provide a broader range of services to UK customers than is BT itself.

Over the last decade, the UK has been conditioned to believe that, for companies, big is inherently bad," he will warn. "The trouble is that the rest of the world does not."

Citing recent moves by US telephone companies into the cellular mobile and cable sectors, he will note that BT "may do neither of these things in its home market, because of the

[regulatory] bar imposed on true convergence". Although BT has a part share in mobile phone operator Cellnet, its freedom to integrate "fixed" and "mobile" services is circumscribed.

Mr Vallance is concerned that BT faces a "utility trap" of detailed constraints on its pricing and deployment of technology, while hostile alliances form against it on the continent. BT is also anxious to prevent a Franco-German alliance forming long in advance of the opening of European markets to full competition.

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PETER MARTIN: GLOBAL INVESTOR

France's decision to move towards private sector pension funds will transform the French equity market. Over the next decade it will mean profound change for the pattern of ownership and the behaviour of shareholders and management. Page 19

EDWARD BALLS: ECONOMIC EYE

Comparing unemployment rates across countries ignores the sexual revolution in the world over the past two decades. They underestimate falls in male employment, and ignore the rise in female employment. Page 19

Bonds:

The Bundesbank could face an uphill struggle in the government bond market next year given enormous state borrowing requirements. Page 20

Equities:

The tug-of-war between bulls and bears will continue to make its mark on US stock markets this week. Page 21

Emerging markets:
So you want to invest in China? Everybody does. But it is still struggling to throw off the inefficiencies of central planning. Page 21

Currencies:

Today's French repo tender will be the focus of market activity as traders wait to see whether the franc continues its rise. Page 25

OTHER PHONES OKI PHONES



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COMPANIES AND FINANCE

S&P drops launch of high income unit trust

By Christine Buckley

Doubts over the ability of high income unit trusts to offer double-digit income have been raised by the sudden decision of Saxe & Prosper to scrap plans to launch such a trust. S&P's abandonment of the high income unit trust comes just weeks before its launch in the New Year and was attributed to a lack of confidence that investors' capital would be preserved.

Mr Ken Emery, S&P's technical director, said yesterday: "We have been running models with dummy portfolios for some time and in the end we were not confident such a high level of income could be achieved without eroding capital."

S&P had been looking at the

feasibility of a cocktail of financial products that could produce a 10 per cent income for a high income fund. Typically, such funds – which are offered by Foreign & Colonial and Morgan Grenfell – employ options, shares and cash.

But S&P's decision to drop the new product paled out on the feasibility of generating high income while preserving capital. "We found that there is a half-life, although the rate of the erosion is difficult to calculate because of variable interest rates," said Mr Emery.

However, Mr Nigel Legge, managing director of James Capel Unit Trusts, maintained that high income unit trusts were not necessarily a minefield that investors should avoid but the element of risk should be appreciated. "The

issue is how opaque they are. It is a question of how clearly products like these should be presented."

Mr Legge said that while large returns on investments in equities are proven, that message is not always understood by investors. "Shares are by far the best asset to beat inflation and I'm not sure that is generally realised."

And he added that when derivatives enter the equation then the task of making transparent that product to investors is exacerbated.

S&P has not abandoned the idea of a double-digit unit trust but prospects of offering one are slight. "We will keep it under review but unless we see something new it is highly unlikely," said Mr Emery.

There would be no cash flow effect on the company's earn-

ings and its contributions holiday could continue for several more years. However, because of the SSAP '24 accounting rule for pension expense, a reduction in the pension scheme surplus would be reflected both in the company's balance sheet and its profit and loss statement.

Mr Nigel Stapleton, chief financial officer of Reed Elsevier,

said the reduced profits would be more than offset by a recent slight improvement in UK and US trading conditions and the pre-tax profit contribution from the Official Airline Guides acquisition completed in September.

The pensions credit added £28m to operating profits in 1992 but that would fall to £2m for 1993.

NEWS DIGEST

Reed Elsevier pension warning

By Norma Cohen, Investments Correspondent

Reed Elsevier, the Anglo-Dutch publishing and information business, has announced that tax changes on pension schemes announced in March would reduce its 1993 operating profits by £15m.

There would be no cash flow

effect on the company's earn-

ings, having served as chairman of the Thomson Travel Group from 1984 to 1989.

Airtours, which announces full year results today, has recently purchased the Hogg Robinson and Pickfords travel agents' chains, making it the second biggest holiday retailer after Lunn Poly, which is owned by Thomson.

Mr Davies, 48, is one of the travel industry's most exper-

ited figures, having served as chairman of the Thomson Travel Group from 1984 to 1989.

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Minmet in joint Russian venture

Directors of Minmet, the mineral resources group based in the Irish Republic, have signed a letter of intent to create a joint venture company with Vesoly Mine in the Altai Republic of Russia.

The company will extract

and process mineral resources which encompass gold, silver and copper. Minmet anticipates to make an initial investment of up to \$3m (£2m) over two years for the production enhancement of two proven gold deposits. Others will be developed later.

The equity split will be 60 per cent to Vesoly and 40 per cent to Minmet.

Property Trust acquisitions

Property Trust has acquired the freehold interests in two high street retail parades at 1-30 Streatham High Road, London SW11, and 207-213 High Street, Dorking, Surrey for a total of £3.5m, representing an

initial yield of 11.7 per cent.

The purchases will be financed by existing cash resources and bank finance. Gross annual rental income from the properties is currently about £414,000.

Premium Trust allocation

The Premium Trust offer for subscription for 3.3m units, which was increased from 3m units, has been fully subscribed with no scaling down required. Accordingly, the number of issued ordinary shares of Premium Trust and Premium Underwriting will be 18.3m and 13.2m respectively.

Total raised under the offer is £33m.

Ward shares tumble on loss warning

Shares in Ward Holdings fell 8p to 35p on Friday after the housebuilder and property group revealed that an exceptional provision in the results for the year to October 31 would force it into the red.

In August the group said that it intended to review the value of its land bank and property assets at October 31.

The review revealed that for certain residential land there was "a substantial surplus over book amount", but that accounting conventions dictated that this could not be

reflected in the figures for the year to October.

The valuation also revealed that a provision was necessary against the book value of other residential land and industrial properties. This, along with other provisions, total £84m.

Ward said that borrowings had continued to be paid down. At October 31, they were £9.8m (£30.6m).

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The purchases will be financed by existing cash resources and bank finance. Gross annual rental income from the properties is currently about £414,000.

Premium Trust allocation

The Premium Trust offer for subscription for 3.3m units, which was increased from 3m units, has been fully subscribed with no scaling down required. Accordingly, the number of issued ordinary shares of Premium Trust and Premium Underwriting will be 18.3m and 13.2m respectively.

Total raised under the offer is £33m.

Ward shares tumble on loss warning

Shares in Ward Holdings fell 8p to 35p on Friday after the housebuilder and property group revealed that an exceptional provision in the results for the year to October 31 would force it into the red.

In August the group said that it intended to review the value of its land bank and property assets at October 31.

The review revealed that for certain residential land there was "a substantial surplus over book amount", but that accounting conventions dictated that this could not be

reflected in the figures for the year to October.

The valuation also revealed that a provision was necessary against the book value of other residential land and industrial properties. This, along with other provisions, total £84m.

Ward said that borrowings had continued to be paid down. At October 31, they were £9.8m (£30.6m).

Minmet in joint Russian venture

Directors of Minmet, the mineral resources group based in the Irish Republic, have signed a letter of intent to create a joint venture company with Vesoly Mine in the Altai Republic of Russia.

The company will extract

and process mineral resources which encompass gold, silver and copper. Minmet anticipates to make an initial investment of up to \$3m (£2m) over two years for the production enhancement of two proven gold deposits. Others will be developed later.

The equity split will be 60 per cent to Vesoly and 40 per cent to Minmet.

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Reed Elsevier pension warning

Reed Elsevier, the Anglo-Dutch publishing and information business, has announced that tax changes on pension schemes announced in March would reduce its 1993 operating profits by £15m.

There would be no cash flow

effect on the company's earn-

ings, having served as chairman of the Thomson Travel Group from 1984 to 1989.

Airtours, which announces full year results today, has recently purchased the Hogg Robinson and Pickfords travel agents' chains, making it the second biggest holiday retailer after Lunn Poly, which is owned by Thomson.

The pensions credit added £28m to operating profits in 1992 but that would fall to £2m for 1993.

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COMPANIES AND FINANCE

Summit fails to resolve CBoT feud with Globex

By Laurie Morse in Chicago

The summit between the major participants in the Globex electronic futures trading system has made clear that unless the Chicago Board of Trade makes operational concessions demanded by Reuters, it will be left out of the Globex system next year.

At the same time Reuters and the joint venture committee that runs Globex are clearing the obstacles that have kept Liffe, the London International Financial Futures and Options Exchange, from joining the system.

"We are facing the possibility that Globex will go on as a partnership between the Chicago Mercantile Exchange, Matif and Liffe, without the Board of Trade," said one executive close to the meetings.

Mr Jack Sandner, CME chair-

man, Mr Patrick Arbor, chairman of the CBoT, and Ms Roslyn Wilton, Reuters project manager for Globex, attended the summit.

None of those attending last week's meeting was willing to comment on the proceedings. But officials said privately that Reuters' patience with the CBoT had grown thin and, while the company was willing to continue to take losses on Globex, it wanted participating exchanges to help boost volume on the system.

Reuters wants the CBoT, the world's busiest futures exchange, to list its agricultural contracts on Globex, and to list its giant US Treasury bond futures and options contracts for much longer trading periods.

Reuters is also worried that the CBoT's Project A electronic trading system will become a

direct Globex competitor and wants it abandoned. The CBoT has resisted these changes.

The 18-month-old Globex recorded turnover of \$68.719 million in November, up 88 per cent from 1992. Paris's Matif contributed 78 per cent of that volume, while CME generated 13 per cent, and the CBoT 9 per cent.

While growing steadily, Globex volume is far below targets, and its under-performance is expected to result in a major restructuring when operating contracts reopen this spring.

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If income from Incentive's stakes in Asea, Electrolux and Esab are included, profits were up by 34 per cent at SKr1.07bn.

The main impact came from Asea, which lifted its contribution to SKr685m from SKr455m.

The group says its full year result, excluding associated companies, will exceed last year's SKr371m, with the final quarter expected to show an improvement on the corresponding 1992 period.

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The Markets

THIS WEEK

Global Investor / Peter Martin

Economics of the real world



The week ahead will see both Europe and Japan struggling to come to terms with their most pressing economic problems. On Tuesday, the Japanese government will announce a fresh package of fiscal stimulus, perhaps with a further cut in interest rates to come a week later. On Friday and Saturday, the European Union summit will discuss the Commission's long-awaited white paper on growth, competitiveness and employment.

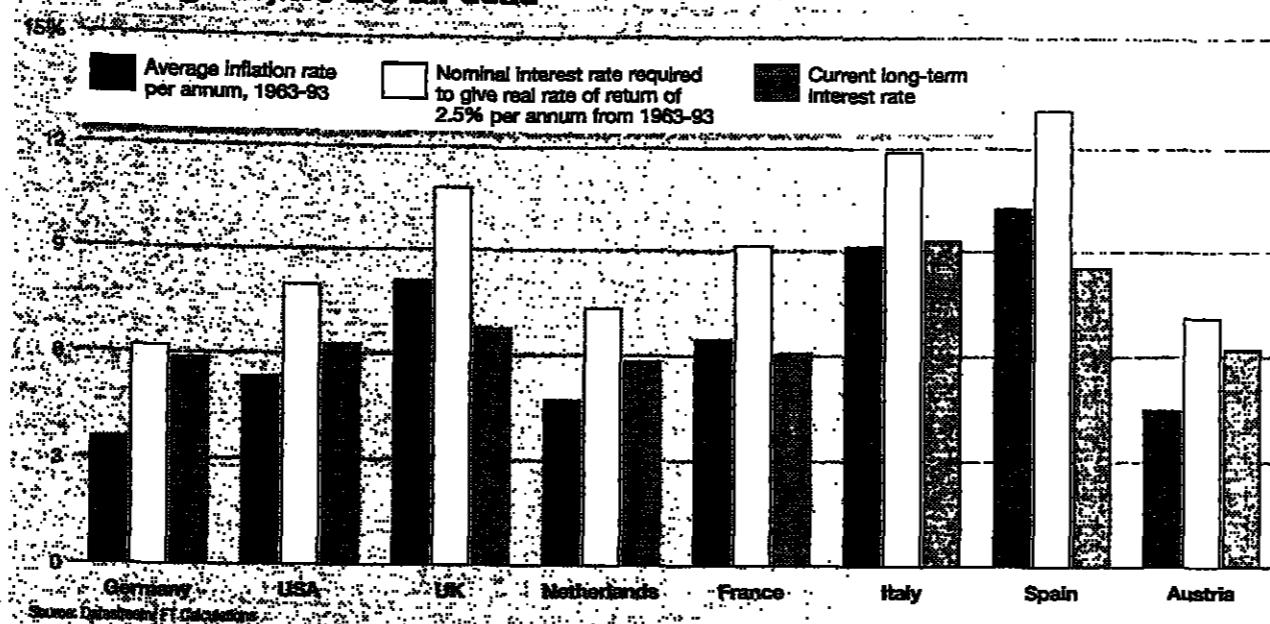
They have been so thoroughly discussed in advance that the most likely market impact of their arrival is negative. If the Japanese measures fail to promise immediate economic salvation, the markets will be disappointed. A white paper pregnant with interventionist language will cause equal dismay.

But events in the real world are likely to have a more potent impact. What is actually happening in Japan's economy will be captured in Friday's "tanzen" survey of economic activity. The real competitiveness of European industry is more likely to be affected by the beginning of the wage round for Germany's metalworkers on Tuesday than by any number of white papers. And how Europe's politicians greet Tuesday's announcement of plans for a joint venture between France Telecom and Deutsche Telekom will indicate whether the EU is committed to competition and deregulation - or whether it prefers to huddle together inside a laager.

Santa Claus

The tone of stock market comment in the United States can

In the long run, we are all dead



best be caught in the title of a recent note by Elaine Garzelli of Lehman Brothers in New York. "Santa Claus Is Coming To Town", she writes.

On Thursday and Friday, when figures for wholesale and retail price inflation are published, we'll know just how naughty or nice the outlook is. The last monthly inflation figures triggered first a healthy bond rally, on very weak producer price numbers, then a sharp setback when the consumer price index failed to live up to the expectations generated by producer prices.

That pattern indicates the markets' jitters about US inflation, even though the short-term outlook remains very low. Wolfhard Graetz, who manages private clients' money at Bank Vontobel in Zurich, says that the next big market move will be driven by the realisation that worldwide

inflation will be picking up from 1995 onwards; in anticipation, he is accumulating natural resources stocks and other inflation plays.

Albert Edwards, global strategist at Kleinwort Benson in London, also believes in the medium-term inflation story: over the next year or so, he says, as developed economies re-synchronise their economic cycles, 2.5 per cent economic growth will translate into 4 per cent industrial production growth, and that will at last reverse the downward trend of worldwide commodity prices.

The consensus is probably still against them, arguing that the weight of debt will hold down demand and keep inflation low. But it's becoming a wobbly consensus, one that might not survive the first unambiguously poor set of US inflation numbers.

Bondage

A contrarian would argue that the rash of ultra-long debt securities is a sure sign of inflation to come. Whatever the reason, everybody's doing it. Germany says it may be issuing 30 year bonds. Italy has already done so. Austria issued 30-year Eurobonds last month, and Spain is promising 15-year bonds. In the US, where 30-year government bonds are well established, private-sector issuers have been boldly pressing ahead into unknown territory, with ABN Amro, Walt Disney and Coca Cola all issuing 100-year paper this year.

The chart, calculated by the FT's Keith Flett, offers a sober commentary on such optimism. It shows what has happened to inflation over the last 30 years in eight big economies, together with the coupon you would have needed to gen-

erate a 2.5 per cent a year real return. The chart also shows the yield currently available on the longest-dated government bond in each country.

You can see that Germany can make a case for issuing 30-year bonds; but from everyone else, good intentions for the future are no substitute for past performance.

Troisième age

France's decision to move towards private-sector pension funds, with legislation due to be introduced early next year, will slowly transform the domestic equity market. Over the next couple of decades, the pattern of ownership and the behaviour of shareholders and corporate managements will undergo profound change.

At the moment, French pensions are provided on a pay-as-you-go basis by the state. Gov-

ernments of both political flavours have become convinced of the need for greater private-sector involvement. And the centre-right government wants to find safe homes for the large numbers of shares in privatised companies to be sold over the next few years.

Just how fast funded pensions take off depends on how attractive, compared with the state scheme, the new legislation allows them to be. It looks likely, however, that the new pensions will be "money-purchase" schemes, rather than final salary ones. This will dull their appeal, since there will be a greater unpredictability about their eventual returns.

It will also result in schemes that are dominated by bonds, rather than equities. Final salary schemes, with an implicit corporate guarantee, have a natural bias towards the long-run performance offered by equities. Money-purchase schemes, without such a guarantee, are naturally driven to assets which have lower year-to-year fluctuations in value.

Even if France's new pension funds are dominated by fixed-income securities, they will still have a significant impact on the equity market. Sushil Wadhani, of Goldman Sachs in London, says that, for the economy as a whole, pension funds are a form of forced savings, and they are not a one-to-one substitute for other savings.

If the global capital markets are still less than completely integrated, the rise in France's savings rate will increase the ratings of local equities - a phenomenon that can be detected in the UK markets over the next couple of decades, the pattern of ownership and the behaviour of shareholders and corporate managements will undergo profound change.

At the moment, French pensions are provided on a pay-as-you-go basis by the state. Gov-

Total return in local currency to 2/12/93

	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.05	0.05	0.12	0.13	0.17	0.10
Month	0.27	0.21	0.55	0.58	0.76	0.49
Year	4.19	3.59	8.00	9.31	13.69	6.75
Bonds 3-5 year						
Week	0.10	0.57	0.13	0.21	-0.38	0.76
Month	0.13	1.47	0.90	0.68	-0.68	1.73
Year	10.11	11.38	13.53	17.13	24.82	3.83
Bonds 7-10 year						
Week	0.37	1.41	0.28	0.28	-0.80	1.14
Month	-0.34	2.35	0.60	0.74	-2.33	2.35
Year	14.60	14.60	17.21	22.63	32.46	20.53
Equities						
Week	0.3	-0.7	2.9	1.7	1.8	4.2
Month	-0.9	-8.7	0.6	0.0	-7.3	2.1
Year	10.4	13.7	39.5	26.9	38.3	23.7

Sources: Cash 3 Bonds - Lehman Brothers, Equities - © NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

new. As is likely to be the case in France, Swiss pension funds are heavily invested in bonds. Swiss equities have historically made up only 13 per cent or so of pension fund assets.

Despite this relatively small exposure to stocks, the new pension funds have transformed Switzerland's financial climate. Their fiduciary responsibility to their members makes them much more committed to shareholder value than traditional financial institutions, caught in the web of interlocking mutual relationships which has characterised the Swiss economy. This need has conjured entrepreneurial banking firms - such as BZ Bank - into existence, to bring pressure to bear on underperforming managements.

The double effect in France - new privatised companies, independent of the state; and new pension fund shareholders, ultimately responsible only to their beneficiaries - will in time give the French

corporate scene a more Anglo-Saxon flavour. At the moment, households hold 34 per cent of French equities, companies hold 17 per cent, and foreigners hold 31 per cent. Institutional investors - insurance companies and mutual funds - own only 15 per cent. If, over the next decades, the arrival of pension funds doubles that proportion, the French equity market will be a very different place.

Monopoly

Derivatives make their way into every corner of modern life. They are the latest twist on the board game Monopoly. Apparently a sure-fire way to win the game is to take advantage of rivals' short-term cash-flow difficulties by buying call options on their more attractive properties: the average player, no rocket scientist, consistently under-prices such deals. Remember, you heard it here first!

Economic Eye / Edward Balls

Unemployment and the sexual labour market revolution



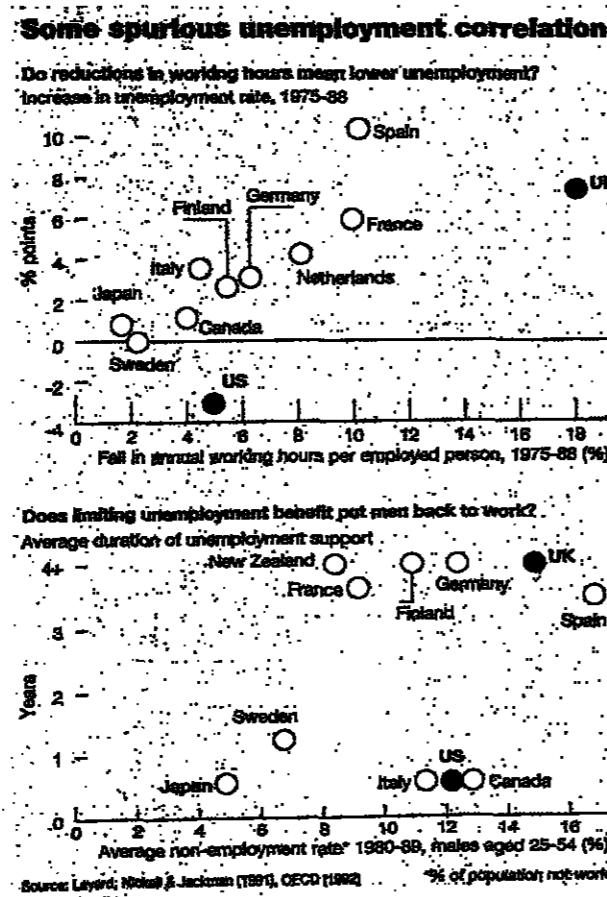
At the end of this week, European Commission president Jacques Delors will finally publish his much trailed - and leaked - white paper on tackling European unemployment. To be precise, the white paper - entitled Growth, Competitiveness and Employment - has a wider remit. Policies to boost investment, as well as cut non-wage labour costs and reduce working hours, are likely to figure prominently. But it is primarily a response to the Community's greatest economic failure - persistent mass joblessness.

Mr Delors is right to broaden the scope of his investigation. For unemployment rates are a partial, and misleading, measure of the opportunities which are provided and withheld in modern labour markets:

- they understate the fall in male employment in almost all developed countries over the past twenty years;
- they ignore the dramatic rise in female employment, particularly in English-speaking countries;
- and they suggest, misleadingly, that the US has escaped the economic forces which have driven unemployment rates up in Europe.

At the root of these changes, and the reason for Mr Delors' emphasis on competitiveness, lies an economic development which no developed country has escaped: the collapse in the demand for unskilled labour in manufacturing industry. The twin causes have been technological change and growing competition from low-cost developing countries. The main casualties have been unskilled men.

In the past, badly educated men could expect full-time jobs for life, paying relatively high wages. Now, the available jobs for the unskilled tend to be in the service sector, increasingly part-time and often paying low relative wages. In the US, where the falling demand has hit wages hardest, the real wages of the poorest 10 per cent of workers have fallen by a third since 1970. Not surprisingly, the evidence suggests that younger unskilled American men find crime an attractive



alternative. But in Europe, the relative wages of the young and poorly educated workers have also fallen.

The US and UK have, meanwhile, experienced a sexual revolution in the world of work. The US has a far superior job-creating record to that of continental Europe, albeit at the cost of stagnant real wage growth and rising wage inequality. Britain has had slower employment growth than the European average when its two recessions are included.

But compared to continental Europe, both countries have managed to draw many more women into work, often part-time and in the service sector. In Britain, these poorly paid jobs are almost always taken by women from households with at least one other working member, as Paul Gregg points out in our IPR paper.*

Yet this Anglo-American female employment growth has co-existed with a sharp fall in

male employment which is only partly reflected in the unemployment figures. The reason is that many jobless - or "non-employed" - men have shifted from being counted as "unemployed" to "economically inactive". On average, in the 1980s, 12.1 per cent of prime-age US males and 14.9 per cent of UK males were out of work compared to 9.1 per cent in France and 11.3 per cent in Italy. The claim that deregulated labour markets mean lower joblessness looks rather hollow.

Nor does the case for curtailing unemployment durations stand up to scrutiny. For, as the lower chart shows, shifting attention from unemployment to non-employment rates undermines the supposed link between limited benefits and lower male joblessness. US men without jobs are less likely to say they are actively seeking work, and thus be counted as "unemployed", because they do not receive welfare payments if they do.

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NEW YORK

Tug-of-war between bulls and bears

US stock markets this week will continue to feel the pull from the tug-of-war between bullish investors, who believe in the evidence of a strengthening economy and the power of low interest rates, and bearish investors, who fear the recent rise in interest rates and find the valuations of equities worryingly expensive.

These contradictory forces have been behind the inconsistent performance of share prices in the past few weeks.

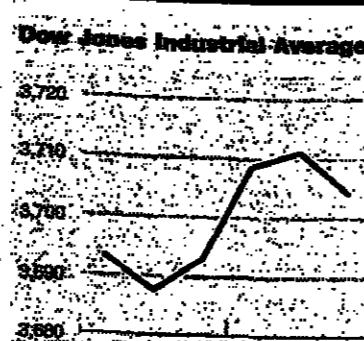
The main equity indices have not moved far since the end of October, with the exception of the composite index of stocks listed on the Nasdaq market, which has suffered from heavy selling lately.

The sell-off in Nasdaq stocks has not been the result of a change in the earnings or economic fundamentals underpinning the market, but rather the product of investors' caution. Because they have performed so well throughout the year, Nasdaq stocks were beginning to look overvalued by mid-autumn. So investors, fearing that Nasdaq prices would not move much above their highs, began selling in order to lock in some profits before a major calamity hit market sentiment and wiped out all of their year's gains.

Although profit-taking has been mostly confined to the Nasdaq, it could soon spread to the broader markets if more investors feel that the current bull market phase has reached its peak.

Not everyone, however, is convinced that it has. One indicator of stock market sentiment compiled regularly by the Investors Intelligence newsletter currently records a near three-year high in the number of

Patrick Harverson



investment advisers who are feeling pessimistic about the outlook for stocks.

According to the lateral thinking of contrarian investors and strategists, this is a bullish sign, because the more pessimists there are out there, the more money they are likely to have stashed away in cash. This is money that could yet be invested in stocks.

Contrarians become nervous when everyone is excited about stocks, because this usually means that all the money that could be invested in equities is already there.

There may be other grounds for optimism about the outlook for share prices this week if world trade talks lead to a successful conclusion of the General Agreement on Tariffs and Trade. Normally, US markets pay little attention to trade issues, primarily because trade talks seem to have been dragging on for years, with no apparent loss or gain to world economies.

Yet, the fates two weeks ago over the passage of the North American Free Trade Agreement raised investors' awareness of the importance of lowering or dismantling the world's trade barriers.

That awareness, in fact, was raised to the point where any failure to reach an agreement on GATT by the December 16 deadline could spark heavy selling on world, including US, equity markets.

MARKETS AT A GLANCE

Stock	Open	High	Low	12-month	1993
FTSE 100	3,134.2	3,164.1	3,130.0	22/10/93	2,706.2 19/11/92 3,199.0 22/10/93 2,737.6 19/11/93
Dow Jones Ind.	3,704.0	3,710.77	3,702.00	18/11/93	3,241.95 20/11/93 3,710.77 16/11/93 3,241.95 20/11/93
Nikkei	17,453.42	17,453.42	17,453.42	21/11/93	16,078.71 29/11/93 21,148.11 13/9/93 16,078.71 29/11/93
Dax	2,420.63	2,420.63	2,420.63	2/12/93	2,110.53 14/12/92 2,420.63 2/12/93 1,469.75 14/12/92 2,110.53 2/12/93 1,516.50 13/11/93
SAC 40	5,326.88	5,326.88	5,326.88	22/10/93	2,231.86 22/10/93 5,326.88 17/12/92 2,231.86 22/10/93 1,735.23 17/12/92 2,231.86 22/10/93 1,772.21 29/11/93
Bairns Corp. 100	632.86	632.86	632.86	30/8/93	404.25 15/12/92 632.86 30/8/93 446.33 1/1/93

FT Graphics

EMERGING MARKETS: This Week

The Emerging Investor / Alexander Nicoll

Staking a claim in China

So you want to invest in China? Many people do. Foreign companies have signed direct investment contracts worth more than \$100bn (\$57bn) this year alone - though the actual flow of foreign money into joint ventures in 1993 is probably nearer \$10bn.

Portfolio investors are equally keen to take a stake in a country which may be the next economic superpower.

Economic growth rates of 13 per cent last year and probably around 12 per cent this year are hard to ignore. The past few weeks have seen a new surge of interest from foreigners, with US institutions in particular awakening to China's potential and ploughing money mainly into Hong Kong.

"All China shares have undergone an enormous re-rating as a consequence of the new perception that China is no longer Hong Kong's greatest risk, but its greatest asset and that China may be the world's most promising emerging market," writes Mr David Whittall of Baring Securities.

However, Baring and some other firms are cautious at current price levels, advocating a wait-and-see approach. Chinese shares listed in either China or Hong Kong when they are initially offered at lower earnings multiples than are prevalent in the market.

Though markets are encouraged by recent reform measures in vital areas such as the financial system and taxation, there is considerable uncertainty about the success of Bel-

ling's measures to slow the overheated economy. Although the government has gone a long way towards creating a market economy, the most difficult measures, such as tackling the public sector, still lie ahead.

Recent buying was sparked partly by a view that previous price declines meant that bargains were to be had and that China appeared to be avoiding a hard landing for the economy.

The comments of Mr Barton Biggs, emerging markets strategist for Morgan Stanley, who said in September that he was "maximum bullish" on China, raised the consciousness of US investors, even though the investment bank later reversed September's increase in its portfolio weightings for China.

Mr Mark Mobius, president of the new Templeton China World Fund, says he accepted \$280m from investors but could have raised as much as \$1bn.

The fund became the largest of about 40 "China funds" with total net assets of around \$2bn, of which all but five have sprung up within the past two years.

The problem facing investors who want to participate in China's growth is that of several different vehicles available, none is perfect and all are volatile. Many investors have preferred to go through funds which profess to invest in China or in equities closely linked to China.

Investing directly on the small and illiquid stock exchanges in Shanghai and Shenzhen involves a high

degree of uncertainty. B shares in which foreigners are allowed to invest - A shares are for domestic investors - are volatile and profit performance varies considerably.

When buying is in fashion, the small amount of stock available tends to send prices rapidly to levels which many analysts regard as overbought. Shanghai B shares rose 14 per cent during one week in November on average daily turnover of \$1bn - high for that market - and are now trading at an average of 18 times 1993 earnings, according to Baring Securities.

Investors in B shares have to accept inadequate regulation and corporate disclosure. Although Chinese companies have come some way towards the typical manager of a state-owned enterprise has a pretty hazy concept of profit.

These uncertainties have led fund managers to buy China via foreign markets, principally Hong Kong. The degree of exposure ranges from a small number of H shares, Chinese companies listed in Hong Kong, to "red chips", Hong Kong companies deriving a substantial amount of their income from China, to other Hong Kong companies with less direct links to the mainland.

Of 36 funds of which Microbial publisher of the monthly Emerging Market Fund Monitor has data, seven have more than 40 per cent of their portfolio invested in B shares and 20 have more than 40 per cent invested in Hong Kong. Eight

still have more than 40 per cent of their portfolio in cash - some because their mandate is to seek equity in unlisted Chinese companies, which takes time and expertise.

Though some managers feel that funds which buy principally in Hong Kong do not have a portfolio truly representative of China, many believe strongly that it is the best route.

Mr Mobius, who has invested around 60 per cent of the Templeton China World Fund in Hong Kong, says: "I feel comfortable about buying Hong Kong because it is a reflection of China and you're buying experienced managers and an accounting system you can understand."

Mr Robert Lloyd George,

who runs a firm managing two China funds, notes that companies in the Hang Seng Index derive only some 2 per cent of their profits directly from China. However, the fortunes of smaller listed companies tend to be much more closely tied up in China, he says. The Lloyd George Standard Chartered China Fund has shares in about 35 smaller Hong Kong

companies and half a dozen H stocks, as well as B shares.

Fund managers stress, however, that China is a long-term investment which is likely to see many jolts as well as spurts forward. Investing in China via Hong Kong may add further volatility because of local factors such as the Sino-British dispute over the territory's political development.

Companies have recovered to approximately \$800m, up from an all-time low of less than \$200m in July. However, textile shares, which represent one third of listings on the exchange, could have suffered heavily due to a year-long recession in the industry.

The positive fervour is largely due to the end of political turmoil which had brought government to a standstill, and adversely affected sentiment due to a year-long recession in the industry.

Foreign exchange reserves have recovered to approximately \$800m, up from an all-time low of less than \$200m in July. However, textile shares, which represent one third of listings on the exchange, could have suffered heavily due to a year-long recession in the industry.

At a presentation in London last week hosted by Foreign and Colonial Emerging Markets their chief investment officer, Mr Arnab Banerji, forecast that 1994 would see strong growth in Mexico, Colombia, Argentina, India, Korea and Taiwan.

He was very cautious about China, seeing the economy heading for a "hard landing", which could also rebound on Hong Kong. India is seen as a potential bull market, with F & C estimating a market gain in dollar terms of 55 per cent.

Up to 10 bids have been made for the right to set up Poland's first private nationwide television channel. The applications are expected to include about eight consortia with foreign investment, and the list of bidders will be made public before the end of the year. The licence will be awarded next spring.

The trade data, meanwhile, have been confusing given the lack of comprehensive statistics. Exports appear firm.

Shares hit record highs before the weekend with further rises forecast for the coming days, writes *Farhan Bokhari* in Islamabad. The KSE-100 has risen almost 26 per cent since elections two months ago.

Indonesia approved closed-end investment funds in 1990, but only one investment company has been licensed to operate and another approved in principle. No investment funds have been listed on the Jakarta exchange.

Italy is the leading foreign investor in Romania with \$91.9m worth of capital invested by mid-November, data released by the National Statistics Board shows.

Total foreign investment over the past three and a half years is \$723m, said the Romanian Development Agency, the government's main foreign investment promotion organisation.

The securities exchange plans to set up a remote computer terminal transaction system for trading B shares.

This will allow trading from anywhere in the world: foreign brokerages currently rely on traders on the exchange floor or trade through local brokerages that have seats.

The government has plans to issue convertible bonds to privatise the state telecoms network.

The country hopes to privatise about 50 per cent of its industry by the end of 1993 and up to 80 per cent by July next year, the state property committee in charge of privatisation has said.

Further coverage of emerging markets appears daily on the World Stock Markets Page.

Currencies / Rachel Johnson

Investors monitor franc

Today's French repo tender will be the focus of most market activity as traders wait to see whether the franc continues its rise following last Friday's rate cut.

The Bank lowered its intervention rate by 25 basis points to 6.20 per cent, triggering expectation that the franc would rise further to regain its old ERM floor and then move up to around FFr3.41 against the D-Mark - its level before the summer currency crisis.

On Thursday the Bundesbank set off a round of minor interest rate cuts around Europe by setting its repurchase rate at 6 per cent for an unprecedentedly long period of five weeks.

Even though the German central bank left its main Lombard and discount rates unchanged, this move led to cuts in Belgium, Spain, France and the Netherlands.

The franc has been strong enough to weather a cut in its

rate for some time, and market observers regarded the easing as a *fait accompli* after the rate cuts in other countries. Today's current account for France will be another bright spot. Imports' bigger fall than exports in 1993 helped to underpin the franc. Trade growth is expected to add 0.6 per cent to gross domestic product this year and next.

European interest rate cuts will help the markets digest whatever comes out of the Brussels summit on December 10. If Mr Edouard Balladur, the prime minister, has to give ground on agriculture, then a cut in French interest rates might ease the pain.

But if the summit sets the scene for a collapse in the trade talks - though this is looking increasingly unlikely as all have committed themselves to a successful conclusion - then currencies will undoubtedly be greatly affected, especially the most

heavily-traded.

If the GATT talks go to plan, this will set the tone for a gentle rise in the dollar. The US recovery seems firmly established with economists expecting GDP to approach 3 per cent in the fourth quarter. Some expect to see the dollar at DM1.75 by early in the New Year, aided by lower European rates.

This week should be something of an anti-climax after the excitement of last week's

Budget, which sent the UK stock market to a new high. The pound should though receive some support from economic statistics, such as consumer credit, during the week.

An increase of around £350m in net outstanding credit is projected, which would be consistent with signs of a tentative consumer-led recovery.

The trade data, meanwhile, have been confusing given the lack of comprehensive statistics. Exports appear firm.

EQUITY MARKETS: This Week

LONDON

Strategists' menus suggest further gains

After last week's spectacular performance it may seem churlish to ask for more, but the tone of the London stock market suggests that more is indeed expected, at least on the menus put together by the equity strategists. Base rate cuts - the market now prefers the plural version - are more than ever in prospect for the new year, with or without the encouragement of the Bank of England.

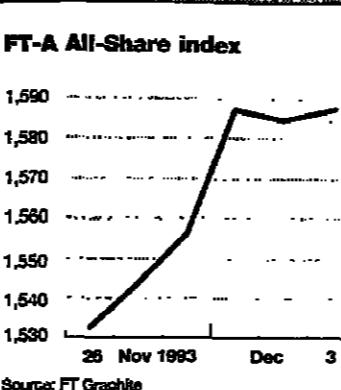
The chancellor's commitment to promoting economic recovery has re-focused attention on the January round of company results; the market has been through this exercise before, but expectations that recovery will show itself in corporate profits have to be given a chance.

The effects of the Budget speech showed themselves in a number of special factors last week. Derivatives markets again demonstrated the power over underlying equities imposed by the impressive liquidity and flexibility of the futures markets.

"A fund manager wants to put, say 550m into UK equities, then the stock market will be moving against him long before he secures the stock. But he can put 550m into the stock index future in half an hour," said one futures trader as the December stock index contract raced to premium of 30 points against cash last Wednesday.

The premium dipped at one time but by the close of business on Friday it had returned to around 29 points against cash - Fair Value, the estimated premium allowing for dividend and carrying costs, is virtually zero at this stage of the contract's life. The premium still has a powerful lead ahead of its expiry in just over a week, when the

FTSE All-Share index



Source: FT Graphics

COTER MARKETS

TOKYO

The market is likely to remain cautious ahead of Friday's December stock futures and options settlements and the announcement of the government's emergency package. Now the stock market has stabilised, some cabinet members claim the supplementary budget should be passed through parliament before an additional package is announced. Investors will focus on the details and the size of the fiscal package floated in the press before official announcements.

FRANKFURT

GDP figures, due tomorrow, are forecast to show a 0.5 per cent rise in the third quarter, representing a 1.5 per cent fall on the year ago level. James Capel comments that the quarterly increase is the result of a slight recovery in consumption, reflecting firmer retail sales, and a positive contribution from net exports, reflecting falling imports.

The bank reporting season continues with 10-month figures from Deutsche Bank and Deutsche Bank tomorrow. RWE's annual meeting comes on Thursday.

PARIS

GDP figures due on Wednesday are forecast to show a 0.2 per cent rise in the third quarter after the second quarter's flat performance, reflecting slightly firmer consumption and a substantial fall in exports. September trade and November consumer price figures come on Friday. Eir Santon, France's second largest drugs group, which issued a profits warning last month, meets analysts today.

MILAN

The market will be paying close attention to the parliamentary budget debate, due to begin today and continue into next week. The privatisation of Credito Italiano begins this week. Mutual funds figures during the week are expected to confirm strong net inflows to bond and

WORLD STOCK MARKETS

EUROPE										NETHERLANDS (Dec 3/ Fri)										NETHERLANDS (Dec 3/ Fri)										NETHERLANDS (Dec 3/ Fri)									
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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 3	Closing mid-point	Change on day	Bid/offer	Day's Mid. high	Day's Mid. low	One month	Three months	One year	Bank of England's Index
				Rate	Rate	Rate	Rate	Rate	Eng. Index
Australia	(\$0.61)	-0.1	808 - 810	18.10	17.95	18.0008	-0.7	18.0757	-0.5
Belgium	53.68	-0.1	389 - 400	54.05	53.75	54.075	-2.9	54.12	-2.2
Denmark	DKM 10.1600	+0.0275	116 - 125	10.1255	10.1255	10.1255	-2.9	10.2695	-1.6
Finland	FM 8.2115	-0.002	116 - 120	8.0500	8.0505	8.0505	-2.9	8.0505	-1.6
France	FF 8.8176	-0.02	122 - 125	8.9275	8.7800	8.8226	-1.5	8.8455	-1.3
Germany	DM 2.5560	+0.0125	925 - 975	2.5575	2.5575	2.5575	-0.2	2.5695	-0.1
Greece	Dr 386.00	+2.95	795 - 805	395.00	395.00	395.00	-2.9	395.00	-0.1
Ireland	IE 1.0520	-0.0025	555 - 555	1.0500	1.0515	1.0505	-0.9	1.0571	-0.2
Italy	IT 1.3325	-0.25	275 - 275	1.3765	1.3765	1.3765	-2.5	1.3845	-0.5
Luxembourg	LU 1.2750	-0.01	360 - 400	1.2800	1.2800	1.2800	-0.2	1.2800	-0.1
Netherlands	NL 3.8750	-0.0101	700 - 800	3.8800	3.8825	3.8765	-0.7	3.8765	-0.4
Norway	NOK 11.1225	-0.045	116 - 125	11.1400	11.0800	11.1225	-0.7	11.1225	-0.0
Portugal	PT 1.2105	-0.15	120 - 125	1.2275	1.2275	1.2275	-5.8	1.2275	-0.0
Spain	Pe 21.105	-0.75	000 - 120	21.05	21.05	21.05	-4.2	21.29	-3.7
Sweden	SEK 12.5975	-0.0075	625 - 625	12.5975	12.5975	12.5975	-0.5	12.6155	-1.4
Switzerland	CHF 2.2200	-0.0024	150 - 150	2.2100	2.2100	2.2100	-0.7	2.2151	0.2
UK	£ 1.5315	-0.004	310 - 320	1.5385	1.5380	1.5382	-1.5	1.5385	-0.7
US	\$ 0.93425	-0.004	310 - 320	1.3280	1.3282	1.3282	-1.5	1.3285	-0.7
SDR	SDR 1.3315	-0.004	310 - 320	1.3280	1.3282	1.3282	-1.5	1.3285	-0.7
America	Argentina	1.4785	-700 - 700	1.4800	1.4745	1.4785	-	-	-
Brazil	(Cr) 368.00	+700	600 - 610	367.00	367.00	367.00	-	-	-
Canada	CA 1.3800	+0.006	600 - 605	1.3805	1.3805	1.3805	-	-	-
Mexico	MX 4.8245	+0.0275	220 - 225	4.8385	4.8260	4.8385	-	-	-
Peru	PE 1.9450	+0.0008	600 - 910	1.9455	1.9455	1.9455	-	-	-
South America	SC 2.2225	-0.0055	245 - 255	2.2280	2.2280	2.2280	-0.7	2.2285	-0.5
Australia	(\$0.61)	11.5125	11.5125	11.5125	11.5125	11.5125	-0.1	11.5125	-0.1
Hong Kong	HK 45.80	-0.15	575 - 605	45.85	45.85	45.85	-0.1	45.85	-0.1
Japan	Y 161.50	+0.25	120 - 200	162.75	161.00	161.00	-3.2	161.05	-3.3
Malaysia	MY 3.3105	-0.0241	965 - 1100	3.2825	3.2785	3.2785	-0.7	3.2825	-0.5
New Zealand	NZ 1.2200	-0.0008	120 - 125	1.2210	1.2205	1.2210	-0.3	1.2214	-0.2
Philippines	Ph 7.55	-0.15	160 - 160	7.55	7.55	7.55	-0.1	7.55	-0.1
Saudi Arabia	SR 5.5925	-0.0243	225 - 225	5.5925	5.5925	5.5925	-0.1	5.5925	-0.1
Singapore	SG 2.3875	-0.0119	570 - 570	2.3860	2.3860	2.3860	-0.1	2.3860	-0.1
S Africa (Cont)	(\$0.61)	-0.037	275 - 285	5.0380	5.0380	5.0380	-0.1	5.0380	-0.1
S Africa (Fin)	(\$0.61)	-0.0455	320 - 320	6.8435	6.8435	6.8435	-0.1	6.8435	-0.1
South Korea	SK 10.25	-0.055	555 - 625	120.50	119.00	119.00	-0.1	119.00	-0.1
Taiwan	Tw 4.10	-0.02	200 - 200	3.985	3.985	3.985	-0.1	3.985	-0.1
Thailand	Th 37.90	-0.2	785 - 785	36.85	37.85	36.85	-0.1	36.85	-0.1
1500 rates for Dec 2. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Margin Callouts shown for Dec 2. Base average 1993 = 100									

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 3	Closing mid-point	Change on day	Bid/offer	Day's Mid. high	Day's Mid. low	One month	Three months	One year	Bank of America's Index
				Rate	Rate	Rate	Rate	Rate	Eng. Index
Australia	(\$0.61)	-0.1	808 - 810	18.10	17.95	18.0008	-0.7	18.0757	-0.5
Belgium	53.68	-0.1	389 - 400	54.05	53.75	54.075	-2.9	54.12	-2.2
Denmark	DKM 10.1600	+0.0275	116 - 125	10.1255	10.1255	10.1255	-2.9	10.2695	-1.6
Finland	FM 8.2115	-0.002	116 - 120	8.0500	8.0505	8.0505	-2.9	8.0505	-1.6
France	FF 8.8176	-0.02	122 - 125	8.9275	8.7800	8.8226	-1.5	8.8455	-1.3
Germany	DM 2.5560	+0.0125	925 - 975	2.5575	2.5575	2.5575	-0.2	2.5695	-0.1
Greece	Dr 386.00	+2.95	795 - 805	395.00	395.00	395.00	-2.9	395.00	-0.1
Ireland	IE 1.0520	-0.0025	555 - 555	1.0500	1.0515	1.0505	-0.9	1.0571	-0.2
Italy	IT 1.3325	-0.25	275 - 275	1.3765	1.3765	1.3765	-2.5	1.3845	-0.5
Luxembourg	LU 1.2750	-0.01	360 - 400	1.2800	1.2800	1.2800	-0.2	1.2800	-0.1
Netherlands	NL 3.8750	-0.0101	700 - 800	3.8800	3.8825	3.8765	-0.7	3.8765	-0.4
Norway	NOK 11.1225	-0.045	116 - 125	11.1400	11.0800	11.1225	-0.7	11.1225	-0.0
Portugal	PT 1.2105	-0.15	120 - 125	1.2275	1.2275	1.2275	-5.8	1.2275	-0.0
Spain	Pe 21.105	-0.75	000 - 120	21.05	21.05	21.05	-4.2	21.29	-3.7
Sweden	SEK 12.5975	-0.0075	625 - 625	12.5975	12.5975	12.5975	-0.5	12.6155	-1.4
Switzerland	CHF 2.2200	-0.0024	150 - 150	2.2100	2.2100	2.2100	-0.7	2.2151	0.2
UK	£ 1.5315	-0.004	310 - 320	1.5385	1.5380	1.5382	-1.5	1.5385	-0.7
US	\$ 0.93425	-0.004	310 - 320	1.3280	1.3282	1.3282	-1.5	1.3285	-0.7
SDR	SDR 1.3315	-0.004	310 - 320	1.3280	1.3282	1.3282	-1.5	1.3285	-0.7
America	Argentina	1.4785	-700 - 700	1.4800	1.4745	1.4785	-	-	-
Brazil	(Cr) 368.00	+700	600 - 610	367.00	367.00	367.00	-	-	-
Canada	CA 1.3800	+0.006	600 - 605	1.3805	1.3805	1.3805	-	-	-
Mexico	MX 4.8245	+0.0275	220 - 225	4.8385	4.8260	4.8385	-	-	-
Peru	PE 1.9450	+0.0008	600 - 910	1.9455	1.9455	1.9455	-	-	-
South America	SC 2.222								

4 pm close December 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Symbol	Name	Open	High	Low	Close	Chg.	Vol.	Pr.
A -								
1450 Low Stock	1450 Low Stock	14.75	14.75	14.75	14.75	0.00	100	14.75
1451 112 AAR	112 AAR	14.00	14.00	13.98	13.98	0.00	100	13.98
1452 1452 AMF	1452 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1453 15 AAR	15 AAR	14.00	14.00	13.98	13.98	0.00	100	13.98
1454 1454 AMF	1454 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1455 1455 AMF	1455 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1456 1456 AMF	1456 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1457 1457 AMF	1457 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1458 1458 AMF	1458 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1459 1459 AMF	1459 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1460 1460 AMF	1460 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1461 1461 AMF	1461 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1462 1462 AMF	1462 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1463 1463 AMF	1463 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1464 1464 AMF	1464 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1465 1465 AMF	1465 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1466 1466 AMF	1466 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1467 1467 AMF	1467 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1468 1468 AMF	1468 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1469 1469 AMF	1469 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1470 1470 AMF	1470 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1471 1471 AMF	1471 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1472 1472 AMF	1472 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1473 1473 AMF	1473 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1474 1474 AMF	1474 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1475 1475 AMF	1475 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1476 1476 AMF	1476 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1477 1477 AMF	1477 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1478 1478 AMF	1478 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1479 1479 AMF	1479 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1480 1480 AMF	1480 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1481 1481 AMF	1481 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1482 1482 AMF	1482 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1483 1483 AMF	1483 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1484 1484 AMF	1484 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1485 1485 AMF	1485 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1486 1486 AMF	1486 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1487 1487 AMF	1487 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1488 1488 AMF	1488 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1489 1489 AMF	1489 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1490 1490 AMF	1490 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1491 1491 AMF	1491 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1492 1492 AMF	1492 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1493 1493 AMF	1493 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1494 1494 AMF	1494 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1495 1495 AMF	1495 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1496 1496 AMF	1496 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1497 1497 AMF	1497 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1498 1498 AMF	1498 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1499 1499 AMF	1499 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1500 1500 AMF	1500 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1501 1501 AMF	1501 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1502 1502 AMF	1502 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1503 1503 AMF	1503 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1504 1504 AMF	1504 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1505 1505 AMF	1505 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1506 1506 AMF	1506 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1507 1507 AMF	1507 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1508 1508 AMF	1508 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1509 1509 AMF	1509 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1510 1510 AMF	1510 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1511 1511 AMF	1511 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1512 1512 AMF	1512 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1513 1513 AMF	1513 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1514 1514 AMF	1514 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1515 1515 AMF	1515 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1516 1516 AMF	1516 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1517 1517 AMF	1517 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1518 1518 AMF	1518 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1519 1519 AMF	1519 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1520 1520 AMF	1520 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1521 1521 AMF	1521 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1522 1522 AMF	1522 AMF	14.00	14.00	13.98	13.98	0.00	100	13.98
1523 1523 AMF	1523 AMF	14.00	14.00	13.98	13.98	0.00		

FT GUIDE TO THE WEEK

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MONDAY

The Gatt deadline nears

European Union foreign ministers begin two days of talks in Brussels, likely to be dominated by the Gatt Uruguay round. Outstanding disagreements between the EU and the US – particularly the French position on farm trade – are one of the main obstacles to a successful conclusion. Sir Leon Brittan, chief EU trade negotiator, and Mickey Kantor, US trade representative, will be trying to clinch an outline deal to be submitted to the foreign ministers, and then presented to the Gatt negotiators in Geneva on Tuesday.

Meanwhile, EU research ministers resume debate on the 1994-98 research and development programme. In Luxembourg in October, nine states backed the European Commission's proposed five-year budget of Ecu13.1bn. The Union's biggest paymasters – Britain, France and Germany – were unhappy.

Italy privatises: Investors will get their first chance to buy into Credito Italiano, Italy's seventh biggest bank, which is leading the country's ambitious privatisation programme. About 840m ordinary shares will be on offer at 2.075 lire each. Almost all the 87 per cent stake held by the IRI state holding company is to be sold.

Israeli-PLO talks are due to resume in Egypt in an effort to meet the December 13 target date for a first-stage agreement. Yasir Arafat, PLO chairman, is expected to visit Amman on Monday for talks with King Hussein of Jordan and Warren Christopher, US secretary of state, who is touring the region. Arafat will travel on to Germany tomorrow, where he visits until Wednesday.

Negotiations are getting bogged down and resistance is building both among militant Palestinians and hardline Israeli settlers. The peace process, initiated by the historic deal signed by Israeli Prime minister Yitzhak Rabin and Arafat in Washington in September (below) is in danger of missing next week's deadline for a preliminary agreement.



Düsseldorf: The verdict is due in the bribery and treason trial of former East German spymaster Markus Wolf.

Euro Disney: The troubled leisure group based outside Paris, begins talks with creditors on an emergency restructuring. The banks, which last week formed an official steering committee to conduct their side of the negotiations, also plan to meet Walt Disney, Euro Disney's powerful US parent.

Brent Walker: Today is the deadline for plans to refinance the troubled UK leisure and gaming group.

London meat-packers: Smithfield meat market traders could make a breakthrough in elections to the general council of the City of London, one of Britain's oldest local councils. They are in a rent dispute with the Corporation of London and have put up candidates in 10 of the 25 wards.

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TUESDAY

Japan stimulates again

The fourth economic stimulus package this year is scheduled for today. However, it was cast into doubt over the weekend, when members of the seven-party governing coalition indicated it was being postponed because of the government's heavy workload. It was to have included large income and other tax cuts, a further reduction in bureaucratic controls, lower taxes on land sales and measures to stimulate the stock market.

South African blacks will be given a role in government for the first time. The 21-party Transitional Executive Council, a super-cabinet including all parties to the constitutional negotiations, meets for its opening session in Cape Town. Its task is to make sure the first all-race elections, slated for April 27 1994, will be free and fair.

This week, the final all-white parliament is due to begin debate in Cape Town on the post-apartheid constitution. Agreed last month. Meanwhile, negotiations continue with rightwing

parties, aimed at ensuring their acceptance of the new constitution. Extremist Afrikaner leader, Eugene Terre Blanche (above), has told his supporters: "Now is the time to attack".

German economy: Third-quarter gross domestic product figures for the west of the country are expected to show a modest increase. The market consensus is a quarterly rise of 0.3 per cent.

Pay setters: The first round in wage negotiations for Germany's 4m engineering workers opens in both North Rhine-Westphalia and Bavaria. IG Metall, the engineering union, wants rises of between 5.5 and 6 per cent. The employers are insisting on cost-cutting and no pay increase.

It is the most important wage round for German industry, as it gives the lead to everyone else.

Unice: the European employers federation, launches its competitiveness study ahead of Friday's summit. It is designed as a business counterpart to the Delors White Paper.

Telecom alliance: France Telecom and Deutsche Telekom, the French and German state telecommunications operators, will announce plans for wider co-operation. It could mark a significant step in the emergence of international "telecommunications super-carriers".

Westminster: The treasury and civil service select committee hears evidence from Treasury officials.

Share talking shop: The FT-SE Actuaries Classification Committee holds a seminar on changes in the classification of UK equities at the Financial Times. Contact Liz Leech at the FT: 071 873 3239 (fax 071 873 4610).

How was it for U? The European Union (EU) publishes a survey of whether citizens of the sprawling new union feel more "European" now the Maastricht treaty has come into force.

Playing the blues: The annual rugby union match between England's ancient universities of Oxford (dark blue) and Cambridge (light blue) takes place at London's Twickenham ground.

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WEDNESDAY

Yeltsin drops in for dinner



Russian President Boris Yeltsin (left) is due in Brussels for an EU-Russia summit. He will dine with EU heads of government on Thursday. Yeltsin has hinted he might

delay the visit because talks on a co-operation agreement are not complete. However, diplomats in Brussels are confident he will want to be feted in western Europe ahead of Sunday's Russian parliamentary elections.

French economy: Gross domestic product figures for the third quarter may mark the technical end to the recession with an expected 0.4 per cent rise from the previous quarter.

Czech in: Registration by citizens for voucher books in the republic's second wave of mass voucher privatisation closes today. Shares in up to 770 companies with a book value CzK145bn (\$8bn) will be for sale.

Voucher book holders have until February 15 to decide whether to place their books with investment funds or bid for shares directly.

Government bonds: In its last gilt auction this year, the UK government will sell £2bn of 6.75 per cent gilts due 2004, which will become next year's 10-year benchmark. The Bank of England has issued £40bn of gilts towards this year's estimated £55bn Public Sector Borrowing Requirement. Some £7bn of funding remains to be completed this financial year.

Meanwhile, the German government will reopen its 6 per cent bonds due 2016 – the first time in nearly eight years that Germany has issued bonds with a maturity of more than 10 years. The paper will be sold at a US-style auction via the Bundesbank.

Scott inquiry:

Baroness Thatcher, the former prime minister, is due to appear at the Scott Inquiry on arms-related exports to Iraq. Lady Thatcher (left) is to be questioned on what she and her Government knew about banned exports to Iraq prior to the Gulf war.

Open all hours: British MPs, who invented the weekend in the 18th century, may hasten its demise in their free vote on the Sunday Trading Bill to liberalise shop hours.

Mikhail Gorbachev: on a visit to Britain, attends a banquet in his honour at London's Guildhall, where he will receive the Winston Churchill Award for his contribution to peace in the Middle East.

Eastward ho! Work starts on the £1.9bn eastward extension of London Underground's Jubilee Line to link the West End with the Canary Wharf office complex in Docklands. The 10-mile project is the first significant new underground line in London for a generation.

Football: Second round of European Cup Champions' League matches.

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THURSDAY

Nikkei in the balance

Today is the expiration date for December stock futures and options. They have been an important factor in the market's recent turbulence. Tomorrow is settlement day. Investors have been unwinding their positions, because the benchmarks for the Tokyo stock market are expected to change from the Nikkei 225 to the Nikkei 300 index early next year.

The market will also be nervous ahead of the influential Tankan quarterly survey of business conditions, to be released by the Bank of Japan tomorrow. With fears about the strength of the Japanese economy growing, many analysts are expecting the survey to reveal a sharp drop in confidence, adding to pressure on the Bank for a further interest rate cut.

Mato defence ministers meet in Brussels to prepare for their January summit (to Dec 10).

US economy: The producer prices index for November, released today, should deliver more good inflation news. In October, the PPI fell 0.2 per cent. Since then, it is likely to have benefited from falling energy commodity prices.

Westminster: The treasury and civil service select committee hears evidence from Eddie George, governor of the Bank of England.

Israelis? Histadrut Labour movement plans an indefinite general strike in protest at the government's privatisation policy, growing poverty among lower-income workers and unemployment. Up to 100,000 workers in 30 government enterprises are expected to partake.

UK unions go into Europe: The Trades Union Congress, the umbrella for British organised labour, opens an office in Brussels.

Paramount bid: QVC Network's hostile bid for Paramount Communications expires at midnight eastern standard time. Earlier in the day, the Delaware supreme court hears an appeal by Paramount against a lower court ruling. This blocked a friendly \$9.5bn takeover of Paramount by Viacom.

The lower court said that the Paramount board was wrong in not seriously considering QVC's \$10.5bn offer and in negotiating a "lock-up" agreement with Viacom which financially penalised rival bidders.

Trieste: Opening of the Mediterranean Conference on Transport which groups ministers from some 40 countries (until Dec 10).

Vases under the hammer: Sotheby's in London auctions 64 ancient Greek vases from the Hirschmann Collection.

Lighting-up time:

The Jewish holiday of Hanukkah, the festival of lights, begins (to Dec 16) in London's Trafalgar Square (left), the Christmas tree is due to be illuminated. One has been presented each year since 1947 by the people of Norway in gratitude for British support during the second world war. Meanwhile, in Washington, US president Bill Clinton switches on the lights of the national Christmas tree.



In Brussels on Monday: Leon Brittan and Mickey Kantor discuss the Gatt round

10

FRIDAY

European Union summit

The European Council begins a two-day summit under the chairmanship of the Belgian presidency. It will consider Commission president Jacques Delors' white paper on measures to tackle European unemployment. The Commission and Belgium are likely to push for more common action to tackle the crisis, including calls for more spending on roads, railways and telecommunications.

Leaders are likely to steer off the Gatt negotiations, but they will discuss the war in former Yugoslavia, assistance to the occupied territories in Israel, Russia's elections, and hitches in the enlargement talks with Austria, Norway and Sweden and Finland.

Belgian trade unions plan a general strike to coincide with the summit.

Italian strike call: Engineering unions have called out 400,000 workers for a one-day strike in protest at growing unemployment, now close to 11 per cent.

UN human rights day: coincides with the Nobel prize ceremonies. In Oslo, South Africa's Nelson Mandela and F.W. de Klerk are due to receive the joint peace prize. Stockholm hosts the ceremony for physics, chemistry, medicine, literature and economics.

EU zinc producers meet in Brussels to consider details of a smelter "shutdown" agreement. The aim is to eliminate over-capacity in Europe by closing one or two smelters, with the industry as a whole sharing the cost.

Tunnel handover: TML, the consortium which has built the Channel tunnel, hands it over to Eurotunnel after six years' work. Eurotunnel will operate freight services through the 31-mile long tunnel from March and passenger services from May.

11-12

WEEKEND

Russians go to the polls

Voting takes place on Sunday for the country's first parliament to be elected on a full and fair adult suffrage. There are 178 seats to fill in the upper house, or Federation Council and 450 in the lower house, or State Duma – and 13 parties to choose from.

The liberal Choice of Russia party has been leading in opinion polls, but far-left and right parties are picking up momentum.

Voters must also cast a "yes/no" vote in a referendum on a draft constitution. If passed, it will usher in a strong presidential regime.

Chile chooses a president: The result of Saturday's poll seems a foregone conclusion: a victory for Eduardo Frei, candidate of the governing Concertación coalition. Frei, son of a Chilean president of the 1960s, is expected easily to poll more than half the vote and so avoid a run-off in February.

Other elections: on Sunday, Andorra and the self-proclaimed Turkish Republic of North Cyprus are holding general elections. The Portuguese have local government elections.

Aids in Africa: The eighth International conference opens in Marrakech, Morocco (to Dec 16).

NEXT WEEK

Mon 13: Due date for start of withdrawal of Israeli troops from the Gaza strip and Jericho area of the West Bank.

Wed 15: Cut deadline, the expiration of US president Bill Clinton's fast-track authority – which enables him to put a deal to Congress on a straight yes-or-no basis.

Compiled by Patrick Stiles.

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ECONOMIC DIARY						
Country	Economic Statistic	Day Released	Previous Actual	Median Forecast	Day Released	Previous Actual
UK	Oct consumer credit	Mon 6	£489m	£350m		
	Sept visible trade - global	Fri 10	-£0.4bn	-£0.9bn		
US	Oct consumer credit	Tues 7	\$6.7bn	\$5bn		
	Oct wholesale trade	Wed 8	0.5%	-		
	Nov producer prices index	Thur 9	-0.2%	+0.1%		
	Nov PPI (ex-food & energy)	Thur 9	-0.5%	+0.2%		
	Money supply data w/e Nov 29	Thur 9	-	-		
Germany	Third qtr GDP (West) qtr-on-qtr	Tues 7	0.6%	0.3%		
France	Aug current account	Mon 6	FF18.6bn	-		
	Sept trade balance	Fri 10	FF2.9bn	FF5bn		
	Nov CPI (prelim) (month-on-month)	Fri 10	0.2%	0.1%		

MONDAY PRIZE CROSSWORD

No.8,324 Set by DINMUTZ

ACROSS

- Plaguey thing disappeared – copper is brought in (6)
- Part of the ring discovered to be inferior (6)
- Almost noon – too soon? (6)
- Check first of secret information (4,1)
- Like volcanic particles in an experiment? (11)
- Sponsorship of soldier in choppy sea (5)
- Stock-check? (4)
- One interested in grottoes, Rialto, possible? (12)
- Part reduced drastically in half? (12)
- Extra umpire's call? (4)
- One-stop at full speed? (5)
- No longer known in the county? (4)
- W.E. Thomas' upset? Rather? (8)
- Come around about eleven in the country? (6)
- Chap relaxed, say, with son-creatures? (8)
- The head might benefit from this creamy dessert? (6)

DOWN

- Tiller often, in the sea and rows? (4,4)
- Firm longing for some training? (8)
- Society character who appears in court (4)
- Wheeled vehicles of extremely wealthy family? (7,5)
- Bird, beginning to fly low, perhaps? (4)
- Low craft turning about approaching Severn? (5)
- Hard worker needs Monday off? (6)
- Letting the silver go is an event, of course? (7,5)
- Hearing trouble? (5)
- A can on the move? (5)
- Decade of Einstein's development? (9)
- Opening on the board? (8)
- One plays dead (even when given oxygen to the head) (6)
- The old sign of those not quite gentlemen? (6)
- Sincompoop to blame? (4)
- Maximum temperature of a freezer, obviously? (4)



A prize of a